



**ESTABLISHING  
STRONGER  
FOUNDATIONS**  
• • •  
**ENGINEERING  
THE FUTURE**

# CONTENTS

Our Theme **01**

## OUR STRATEGY

Overview of our vision and mission as well as strategy and future outlook moving forward

Our Vision & Mission **02**  
.....  
Our Guiding Principles & Strategy **03**  
.....  
Our Chairman's Statement **04**  
.....  
In Conversation with Group Managing Director **08**  
.....  
Our Future Outlook **12**  
.....  
Five-Year Financial Highlights **14**  
.....

## OUR BUSINESS

Information on what we do, where we operate and who leads us, key milestones and achievements from past years

Our Corporate Profile **18**  
.....  
Our Milestones **20**  
.....  
Our Awards and Accolades **27**  
.....  
Our Board of Directors **30**  
.....  
Our Key Management **34**  
.....  
Our Organisation Chart **35**  
.....  
Our Group Structure **36**  
.....  
Our Corporate Information **37**  
.....

## OUR OPERATING AND FINANCIAL REVIEW

A management discussion and analysis on our operating and financial performance

Our Operating and Financial Review **40**  
.....  
Group's Quarterly Results **52**  
.....  
Corporate Liquidity and Cash Resources **53**  
.....  
Value Added Statement **55**  
.....

## GOVERNANCE AND SUSTAINABILITY

A look at our sustainability report, corporate governance, risk management and sustainability efforts

Sustainability Report **58**  
.....  
Our People **62**  
.....  
Corporate Social Responsibility **66**  
.....  
Safety and Environmental Awareness **68**  
.....  
Our Customers **74**  
.....  
Investor Relations **76**  
.....  
Corporate Governance Report **81**  
.....  
Risk Assessment and Management **105**  
.....

## FINANCIAL CONTENTS

# ESTABLISHING STRONGER FOUNDATIONS ENGINEERING THE FUTURE

For our annual report this year, we feature on the cover a visual representation of a camera aperture, which is the opening through which light passes. This image aptly encapsulates OKP's theme for this year's annual report – Establishing Stronger Foundations Engineering the Future – as the camera's focus is similar to the Group's focus in strengthening and sustaining its business excellence for now as well as for a bright future.



Its many strengths have helped OKP to build stronger foundations through the years, thereby engineering a sunny future for the company. These strengths include its good track record, strong management team, experienced and skilled staff in civil engineering projects, and well-known expertise. The Group believes that its invaluable skills, vast experience and solid expertise will help it to achieve its mission to be the first and preferred civil engineering contractor for the various industries here and overseas.

The aperture comprises a central gap with three surrounding images. The first surrounding image features a well-travelled and brightly-lit road in the central business area in Singapore, which represents one of our core businesses - in transport infrastructure. The second surrounding image features a shot of the Singapore skyline, which captures our strengths in our other core business - in civil engineering.

The third surrounding image depicts a verdant scene with butterflies floating above an outstretched palm towards the bright blue sky. This pleasant representation visualises the bright future that lies ahead for the Group. The outstretched palm depicts the intense efforts and hard work which OKP has put in to establish a stronger foundation for the company in order to attain and sustain business success.

Both transport infrastructure and civil engineering are our key businesses since we started as a sole proprietor engaged in civil engineering in 1966. Through the past decades, we have established ourselves to become one of the leading home-grown infrastructure and civil engineering companies, as we seek to fulfil our vision to be a leading transport infrastructure and civil engineering company in Singapore, the region and beyond.

The central gap linking the three surrounding images and where light shines through is in gold colour, depicting the golden and optimistic future ahead of OKP as we engineer our future steadily and effectively.

Today, the Group is widely recognised as a specialist in the construction of airport runways and taxiways, expressways, flyovers, vehicular bridges, urban and arterial roads, airport infrastructure and oil and gas-related infrastructure for petrochemical plants and oil storage terminals. In recent years, OKP has also ventured into property development and investment.

Indeed, these three elements with the central opening appear to blend together to form the aperture's total and complete design. This well-rounded representation reinforces the concept of how OKP remains focused on establishing a stronger foundation through its core businesses in order to create sustainable growth for all stakeholders. Thus, we look into the future with great confidence and conviction as OKP's lens focus on achieving its business goals for now and in the years ahead.



A nighttime cityscape featuring a prominent modern building with a curved facade and illuminated windows. A large, semi-transparent circular graphic with a white border is overlaid on the image, containing text. The background shows a city street with lights and other buildings in the distance.

## OUR VISION

• • •

TO BE A LEADING TRANSPORT  
INFRASTRUCTURE  
AND CIVIL ENGINEERING COMPANY IN SINGAPORE,  
THE REGION AND BEYOND.

## OUR MISSION

• • •

TO BE THE FIRST AND PREFERRED CIVIL  
ENGINEERING CONTRACTOR FOR THE  
VARIOUS INDUSTRIES, HERE AND  
OVERSEAS.



# OUR GUIDING PRINCIPLES

## TO OUR CLIENTS

We are committed to providing them with a superior service that meets their time schedule, exceeds their expectations in quality, reliability and safety and that is within their budget.

## TO OUR EMPLOYEES

We are committed to providing them with a safe working environment, training and advancement in their respective fields and a fair and equitable system that rewards their productivity.

## TO OUR SUPPLIERS

We are committed to developing and strengthening relationships with them, recognising them as valued contributors and partners.

## TO OUR SHAREHOLDERS

We are committed to maximising their return on investment while maintaining excellence in our products and services.

# OUR STRATEGY

## STAYING FOCUSED ON CORE COMPETENCES

Civil engineering projects will continue to feature prominently as this is our area of expertise where we have built up a distinctive track record over the years.

## EXTENDING OUR PRESENCE IN THE OIL AND GAS SECTOR

To spread risk, we will actually grow our civil engineering expertise in the oil and gas sector in order to grow our earnings base, and to ensure that we do not become overly dependent on a single revenue source.

## EXPLORING OVERSEAS OPPORTUNITIES

While keeping a firm grip on the local market, we will also continually look for opportunities to grow our business overseas.

## DIVERSIFYING EARNINGS THROUGH PROPERTY DEVELOPMENT AND INVESTMENT

As part of our long-term strategy, we seek to diversify our earnings through our property development and investment division.



## OUR CHAIRMAN'S STATEMENT



**" DURING 2015 AND EARLY 2016, OKP WAS SUCCESSFUL IN CLINCHING FIVE CONSTRUCTION AND TWO MAINTENANCE CONTRACTS WITH A TOTAL VALUE OF \$301.1 MILLION."**

**Or Kim Peow**  
Group Chairman

Dear Shareholders,

During the year under review, the outlook for the global economic climate continues to stay unpredictable and unstable with low oil prices, volatile financial markets and slow growth in China although the Eurozone and United States economies are seeing some modest signs of recovery. In addition to such factors, political turmoil and environmental disasters continue to dampen the political and natural environments, thus affecting businesses and their operations worldwide.

Nevertheless, the Group remains upbeat with confidence that OKP can meet these obstacles by staying focused on its vision to be a leading transport infrastructure and civil engineering company in Singapore, the region and beyond. Our vision will continue to be the pivot to drive the company ahead as we seek to establish stronger foundations and engineer a brighter and sustainable future despite economic and political headwinds.

At OKP Holdings Limited (OKP), we are dedicated to implementing our strategy of focusing on our core competencies, widening our presence in the oil and gas sector, looking at overseas business opportunities, and diversifying earnings through property development and other investments. We are confident that this strategy will help to engineer business growth and strengthen our competitiveness.

The Group seeks to uphold its leadership position in its core business – construction and maintenance in the public sector while steadily growing our projects in the private sector. During 2015 and early 2016, OKP was successful in clinching five construction and two maintenance contracts with a total value of \$301.1 million.

We have also built stronger foundations for our company by widening our expertise and capabilities through forming joint ventures to develop properties and bid for Mass Rapid Transit (MRT) projects. To date, OKP has been involved in developing two property projects, which are under construction. These are Amber Skye, a condominium block under development at 8 Amber Road, Singapore 439852 and Lake Life, an executive condominium being developed at Yuan Ching Road/ Tao Ching Road in Singapore.

Founded in 1966, the Group was listed on the Singapore Exchange in 2002. Since its founding, OKP has grown substantially with staff strength growing from 10 employees in 1967 to 409 in 2002 and 814 today. In facing the ups and downs of the business cycle while overcoming many difficulties in establishing and managing an infrastructure and civil engineering business in Singapore and the region, the Group has grown to become a steady and reliable business, motivated by its mission.





*Alexander Canal is one of OKP's completed construction projects in 2015.*

To be the first and preferred civil engineering contractor for the various industries, here and overseas is OKP's mission. The Group will continue to move forward in achieving this mission by steadily enlarging its expertise, capabilities and presence in order to stay ahead of its competitors. Through the years, the Group's reputation has grown due to several advantages, which have buttressed its leadership position in the construction industry. These advantages include our excellent track record, strong management team, experienced and skilled staff in civil engineering projects, and solid expertise.

Our strenuous efforts and invaluable expertise have been well recognised in the industry as the Group received many awards through the decades. In 2015, we won two awards - Runner Up in the Most Transparent Company Award for Construction and Materials category; and Mainboard Small Caps category at the Securities Investors Association (Singapore) (SIAS) 16th Investors' Choice Awards 2015. This is the fourth consecutive year that OKP has been recognised for its corporate governance standards at the SIAS Investors' Choice Awards. The Group had also won the Most Transparent Company Award under the Mainboard Small Caps category in 2012, 2013 and 2014. It won twice in the Constructions & Materials category - in 2014 and 2015.

In addition, we won the Best Investor Relations Award (Gold) in the "Companies with less than \$300 million market capitalisation" category at Singapore Corporate Awards 2015 - a strong affirmation of our achievements in transparency and corporate governance.

The Group was also the winner of the 2015 Public Utilities Board Safety Achievement Award (Construction).

## PERFORMANCE REVIEW

The Group experienced a challenging and competitive year in 2015 as it continued to establish stronger foundations and sought to engineer a sustainable future. During the financial year (FY2015), OKP recorded revenue of \$103.3 million, a 5.7 per cent decrease compared to the previous year (FY2014). The decrease was due mainly to a 33.0 per cent decrease in revenue from the maintenance segment to \$25.7 million, partially offset by a 9.1 per cent increase in revenue from the construction segment to \$77.6 million.

The main contributor to OKP's revenue was the construction segment, accounting for 75.1 per cent (2014: 65.0 per cent) of total revenue for the financial year. The maintenance segment accounts for 24.9 per cent (2014: 35.0 per cent) of the Group's revenue.

The increase in revenue from the construction segment was due mainly to the higher percentage of revenue recognised from a number of both existing and newly awarded construction projects as they progressed to a more active phase in FY2015. The decrease in revenue from the maintenance segment was largely attributable to the substantial completion of some existing maintenance projects in FY2015. Basic earnings per share was 2.27 cents compared to 0.82 cents a year ago, a jump of 176.8 per cent.

Gross profit increased by 57.2 per cent to \$13.8 million compared to \$8.8 million a year ago while gross profit margin increased to 13.3 per cent compared to 8.0 per cent in the previous year. The higher gross profit margin was largely attributable to the completion of a few maintenance projects, which had commanded better gross profit, and the recognition of variation orders for a construction project.

The Group's balance sheet remained steady and solid. With a healthy cash position of \$49.5 million, its net tangible assets amounted to \$102.9 million as of 31 December 2015. This was equivalent to 33.4 Singapore cents per share, compared to 31.3 cents per share a year ago.

I am pleased to inform that the Board of Directors has proposed a final dividend of 0.7 cent per share and a special dividend of 0.3 cent per share. The total dividends of 0.1 cent represent a dividend payout ratio of 44.1 per cent and a dividend yield of 4.4 per cent for FY2015.

# OUR CHAIRMAN'S STATEMENT

## ESTABLISHING STRONGER FOUNDATIONS

During the year under review, OKP continued to establish stronger foundations by winning seven construction projects plus an eighth won through an OKP joint venture.

In November 2015, we won a contract for the construction of a viaduct from Tampines Expressway to Pan Island Expressway (Westbound) and Upper Changi Road East from the Land Transport Authority, adding to the two contracts for the Walk2Ride Programme, won earlier in February 2015. Two new contracts were awarded by JTC Corporation – for the construction of roads, drains, sewers and soil improvement works at Tuas South Avenue 7/14; and extension of road, drain and sewer works at Woodlands Avenue 4.

In addition to the above five construction projects, a contract for the improvement to Bukit Timah first diversion canal Contract 3 (Holland Green to Clementi Road) was awarded to an OKP joint venture in May 2015. In 2015 and early 2016, we continued the execution of several ongoing construction projects, which had been secured since April 2014.

During the year under review and the start of 2016, we won two new maintenance contracts. One was from the Land Transport Authority for road-related facilities, road structures and road safety schemes in East Sector; and the other was awarded in February 2016 by the Public Utilities Board for improvement to roadside drains V Contract 2 (Penjuru, Jalan Sampurna, Pioneer Sector and Jalan Buroh Areas). Besides the new maintenance contracts, we are working on two other ongoing maintenance projects.

During the year, the Group completed three construction projects and three maintenance projects, which were handed over successfully to the clients.



*OKP has been awarded two contracts for the construction of sheltered linkways under the Walk2Ride programme worth \$143.9 million in 2015.*

Currently, our net construction order book stood strong at \$344.8 million of secured contracts, extending till 2019, up from \$296.8 million a year ago.

## ENGINEERING THE FUTURE

In 2016, the construction industry stays optimistic with opportunities for more projects particularly with about 65.0 per cent driven by public sector demand. According to the Building and Construction Authority's projections, construction contracts for the construction industry are expected to reach between \$27.0 billion and \$34.0 billion in 2016, due to a steady pipeline of public sector projects, largely due to an increase in civil engineering demand. However, construction demand from the private sector this year is expected to slow down from previous years due to less favourable economic conditions and an increased supply of completed private housing projects and offices.

Although the industry is very competitive, the Group is confident of securing more sustainable business as OKP is an experienced player, especially for public sector projects. The Group's strong reputation in the public sector will put it in a good light to win new contracts in the coming year, having already won one contract in February 2016. To stay ahead of the tough competition, the Group has been building stronger foundations by widening its expertise and strengthening its capabilities by undertaking new and related areas of business and is expanding overseas.

The Group is looking with interest at a number of large and exciting infrastructure projects in Singapore are expected to present potential construction and civil engineering opportunities for us.

Our investments in property developments will continue as and when the opportunities arise. Currently, the Group is involved in two property projects. They are the 109-unit freehold Amber Skye at 8 Amber Road, Singapore 439852, which was launched in September 2014; and an executive condominium, Lake Life, at Yuan Ching Road/Tao Ching Road in Singapore, which was successfully launched in October 2014 and recorded strong sales.

We are also extending our presence overseas. In 2015, wholly-owned subsidiary corporation OKP (Oil & Gas) Infrastructure Pte. Ltd. was granted a licence to operate a representative foreign construction service company to explore business opportunities in the building and construction industry in Jakarta, Indonesia.





*(Left to right) Our Executive Director, Mr Or Kiam Meng; Group Chairman, Mr Or Kim Peow; Group Managing Director, Mr Or Toh Wat; and MP Lee Bee Wah during a site visit to our project at CTE/TPE/SLE Interchange.*

The Group's emphasis will continue to be on its civil engineering business as we have built up our decades-long strong track record and vast expertise as the preferred civil engineering contractor for various industries, locally and overseas. However, we are also realistic and expect the operating environment in the construction industry to remain tough. This is attributed to increasing business costs, a tight labour market, and scarcity of experienced and skilled manpower, as a consequence of the prevailing government policies and legislation involving foreign workers' employment.

To tackle these issues, the Group has enhanced its operations and productivity through taking various steps such as the adoption of advanced technologies and other training programmes.

Our Group will continue to tender for new projects, both locally and overseas and look into new businesses, through acquisitions, joint ventures and/or strategic alliances, that could complement our construction and maintenance business. These will enable us to move into new markets and acquire potential clients.

### **A NOTE OF THANKS**

On behalf of the Board, I would like to express my gratitude and deepest thanks for the continuing and loyal support of our shareholders, clients, business associates and suppliers through the decades. I would like to pencil in our heartfelt appreciation for the continuing support from all of you. I am also grateful to the management team and employees for your leadership, solid work and excellent team work. As we look to the future, I am confident that you will continue to put in your best efforts to help OKP to achieve greater heights and establish a sunny future in the years ahead.

Last but not least, I would also like to record a big thank you to our Board of Directors for their solid advice and wise inputs, which they have contributed from their years of experience and skills.

Indeed, my appreciation goes to all of you for devoting your time, efforts and investments to make OKP what it is today. As we look forward to celebrating our 50th anniversary in 2016, we can see that the Group has made much progress through the years. And I firmly believe that together with all your support, we can achieve our vision to be one of the leading infrastructure and civil engineering companies in Singapore and the region now and for many years to come.

**OR KIM PEOW**  
Group Chairman

## IN CONVERSATION WITH GROUP MANAGING DIRECTOR



**"OUR CURRENT NET CONSTRUCTION ORDER BOOK LOOKS HEALTHY, STANDING AT \$344.8 MILLION, WITH A PROJECT PIPELINE EXTENDING TILL 2019."**

**Or Toh Wat**  
Group Managing Director

### **Q: WHAT IS OKP'S BUSINESS STRATEGY IN THE YEARS AHEAD AND HOW IS OKP MANAGEMENT GOING TO ENGINEER THE GROWTH AREAS IN 2016 AND BEYOND?**

A: At OKP, we are committed to our business strategy to concentrate on our core competences in infrastructure and civil engineering projects; and enlarging our presence in other sectors such as oil and gas, Mass Rapid Transit (MRT) infrastructure and building construction. In addition, the Group is diversifying its revenue through property developments and investments, and continuing to explore potential business opportunities in the region, so as to fulfill our mission to be the first and preferred civil engineering contractor for the various industries in Singapore and overseas.

The outlook for the construction industry stays upbeat, despite many obstacles. According to the Building and Construction Authority, construction projects in 2016 are expected to amount to \$27.0 billion to \$34.0 billion, particularly infrastructure and civil engineering works, in which OKP has solid expertise and vast experience.

Beyond 2016, the construction demand still offers lots of business. From 2017 to 2020, the average construction demand is expected to be sustained at between \$26.0 billion and \$35.0 billion. Public sector construction demand is expected to be between \$16.0 billion and \$20.0 billion annually from 2017 to 2020, with about 60.0 per cent of the total demand coming from building projects and the remaining from civil engineering projects.

Thus, in the next five years or so, civil engineering construction demand is expected to remain optimistic. This is due to major infrastructure works including the construction of new MRT lines, the North-South Expressway, and associated infrastructure works for Changi Airport Terminal 5.

Focusing on our core civil engineering expertise in public sector projects, we have secured a total of seven contracts with one through a joint venture in 2015. These projects are from JTC Corporation, Land Transport Authority and the Public Utilities Board, amounting to about \$301.1 million. The projects range from road extension, drain and sewer works, construction of linkways, to the construction of viaducts, showcasing OKP's wide ranging capabilities and versatility. In addition, the Group started 2016 well by winning a \$9.8 million maintenance project for improvement to roadside drains in Penjuru, Jalan Sampurna, Pioneer



Sector and Jalan Buroh Areas in February 2016. Hopefully, this will set the tone for winning more contracts in the year ahead.

Our current net construction order book looks healthy, standing at \$344.8 million, with a project pipeline extending till 2019.

However, our business strategy is not to rely on public sector projects alone. The Group continues to bid for more jobs in the private sector, and have already taken steps to diversify its revenue streams through property developments and a joint venture to tender for MRT projects. In addition, we have made a strategic move to extend our presence overseas through wholly-owned subsidiary OKP (Oil & Gas) Infrastructure Pte. Ltd., which had been granted a licence in 2015 to operate a representative foreign construction service company to explore business opportunities in the building and construction industry in Jakarta, Indonesia.

In the case of OKP's property development and investment business, the Group has invested in two property developments. The first project development is Amber Skye, at 8 Amber Road, Singapore 439852; while the second property development is an executive condominium, Lake Life, at Yuan Ching Road/Tao Ching Road in Singapore.

With the positive construction demand in the public sector and the opportunities to grow the business in the private sector, other areas of business, and overseas expansion, the Group is optimistic of a bright future in the year ahead.

**Q: THE GROUP HAS IMPROVED ITS GROSS MARGINS FOR FY2015. IS THIS GOING TO BE SUSTAINABLE?**

A: The Group has increased its gross profit margin to 13.3 per cent in FY2015 compared to 8 per cent a year ago. This higher gross profit margin was largely due to the completion of a few maintenance projects, which had provided better gross profit and the recognition of variation orders for a construction project.

We hope to sustain the high gross profit margins but at the same time, we are realistic and recognise that we operate in a very competitive business environment. Similar to other construction companies, we continue to face industry-wide challenges such as rising manpower costs, labour constraints and competitive pricing. Thus, maintaining good profit margins is a constant challenge.



*Expansion of CTE/TPE/SLE Interchange is one of OKP's completed construction projects in 2015.*

It must be noted that while tender prices had been relatively low, the industry expects that these prices, and correspondingly, margins, will normalise in time. This is due to the realisation that a certain threshold of profit margin needs to be maintained by contractors to ensure sustainability in growth for the industry and enable it to thrive.

On our part, OKP is doing its best to maintain and improve its net profit margin by exercising prudence in its business operations and continue to prospect actively for new projects, paying close attention to ensuring a sustainable profit margin. In addition to bidding for new projects, we will also explore opportunities to grow our business through acquisitions, joint ventures and strategic alliances to complement our core business segments in construction and maintenance.

The Group is constantly exercising additional controls in its cost control systems such as detailed reviews of its major projects, and identifying and implementing various controls to reduce costs to improve operational efficiencies. We are also taking steps to improve productivity and efficiency, which will ultimately lead to cost reduction and improve profitability for the Group. We aim to achieve sustainable long-term profitability by tendering for projects, which yield reasonable profits and bid selectively for projects which give us better margins.

**Q: WHAT DO YOU THINK ARE OKP'S GREATEST ASSETS AND WHY?**

A: The Group believes that the key to any business lies in the competence of its workforce. One of OKP's key assets is that we have a highly dedicated and experienced team of employees, and a hands-on and capable management team, who is not afraid to roll up their sleeves to handle the nuts and bolts of the business. For example, the senior management team visits work sites frequently to supervise the works and give their inputs.





## IN CONVERSATION WITH GROUP MANAGING DIRECTOR

With a strong and capable team, we have been able to cultivate capabilities within OKP to take on complex work, which includes design-and-build projects requiring technical expertise that the Group has become well-known for.

In addition, we are also proud of our solid track record in construction and maintenance in the public sector and our excellent relationships with our customers and suppliers. Collectively, these have contributed to our success today and will carry us forward into the future.

### **Q: WHAT IS OKP'S GREATEST CHALLENGE AND HOW DO YOU INTEND TO TACKLE IT?**

A: Together with the rest of the construction industry, the Group faces the challenge of a tight labour market and a shortage of both skilled and experienced manpower. To address the issue, we actively pursue productivity initiatives such as holding regular training for staff to instil best practices in the industry. We are also constantly exploring the adoption of new construction technologies that can achieve higher efficiencies and effectiveness in our processes, thus, mitigating the impact of the industry-wide labour crunch and saving costs in the process.

The Group is working hard to enhance its retention schemes across all staff levels and further develop the middle management in order to broaden their capabilities and expertise. Our initiatives include overseas industry immersion programmes, which allow our staff to acquire new knowledge, skills and experience that will be beneficial to OKP's operations. In 2015, the Group sent promising employees to Ipoh, Malaysia and Jakarta, Indonesia.

Looking ahead, the Group wants to secure the right talent for the right jobs for the future. It has been offering educational scholarships and sponsorships to students, who may be OKP's potential hires in the future. In recent years, the Group has taken part in the Building and Construction Authority (BCA) – Industry Environment Undergraduate Sponsorship/Scholarship programme, which has been an avenue for bringing young and fresh talents into the company. We have also sponsored and provided scholarships to five students in 2015 and four students in 2014 for undergraduate engineering programmes, some at the Nanyang Technological University and others at the National University of Singapore.

In addition, OKP sponsored post-graduate programmes, which enable us to groom promising employees to take on leadership roles in OKP. For example, in 2012, OKP sponsored two project engineers for a Master of Science (Civil Engineering) degree with specialisation in infrastructure project development at the National University of Singapore. In 2014, these two project engineers have successfully completed their Master programme, and their newly acquired knowledge have contributed towards OKP's business.

The Group also seeks to strengthen senior management's leadership capabilities. I attended the Stanford Virtual Design and Construction Leadership Programme in 2015 in the United States. The course was organised by the Stanford University's Center for Integrated Facility Engineering and BCA.

### **Q: WHY SHOULD INVESTORS PARK THEIR MONEY WITH OKP?**

A: Established in 1966, OKP has sound business fundamentals given the strong and experienced management team with its hands-on approach towards all projects and operations. With such approach, we are constantly in touch with our customers and are up-to-date on the projects' developments. These are key reasons for our success and reputation as a civil engineering specialist.

The Group also maintains close relationships with its wide spectrum of well-established clients. These include both public and private sector organisations such as the Housing & Development Board, Public Utilities Board, the Urban Redevelopment Authority, the Changi Airport Group and ExxonMobil, all of whom we have collaborated closely with in the past and continue to do so even now.

Since our founding 49 years ago, we have been growing as a company in terms of staff strength, number of projects, expertise and capabilities with stable revenues. We believe that we have a sustainable business and will be in operation for many years to come as we establish stronger foundations to achieve our mission to be the first and preferred civil engineering contractor for the various industries, here and overseas – for a bright future ahead.



OKP is involved in the construction of roads, drains, sewers and soil improvement works at Tuas South Avenue 7/14.

Putting ourselves in the shoes of investors, we recognise that as a publicly-listed company, it is important for us to uphold good corporate governance standards and maintain high levels of transparency and active engagement with investors. For many years, the Group had received many awards and accolades, which recognised our commitment to aligning our values to that of our shareholders. In the most recent financial year, we were awarded the Best Investor Relations Award (Gold) in the “Less than \$300 million market capitalisation” category at the Singapore Corporate Awards in July 2015. In addition, we also clinched two awards at the Securities Investors Association (Singapore) Awards in October 2015 – Runner Up in the Most Transparent Company Award 2015 in Construction and Materials and Mainboard Small Caps categories.

We believe these are the key contributing factors that have taken our business to where it is today, ultimately translating into the dollars and cents of our top and bottom lines, and continuing to build shareholders’ value in the years to come.

**Q: IS OKP STILL EXPLORING NEW PROPERTY DEVELOPMENTS? PLEASE PROVIDE AN UPDATE ON YOUR TWO PROPERTIES AND HOW ARE THEY DOING?**

A: The Group continues to be on the look-out for attractive opportunities for property developments in partnership with like-minded investors and developers. With the cooling measures still in place in Singapore and the ample supply of new developments seeking buyers, OKP is treading cautiously and will evaluate prospects carefully to enable us to have a profitable return on our investments.

In the case of our current property development portfolio, we have Amber Skye at 8 Amber Road, which is our first property development. It was launched in September 2014 and re-launched in March 2015. We continue to focus our efforts on marketing the units of the 109-unit freehold development.

Our second project involved the development of an executive condominium, Lake Life, at Yuan Ching Road/Tao Ching Road. In October 2014, Lake Life was successfully launched and registered strong sales performance.

**Q: HOW DOES OKP INTEND TO UTILISE ITS CASH OF \$54.7 MILLION, WHICH IS EQUIVALENT TO 75.0 PER CENT OF ITS MARKET CAPITALISATION?**

A: In FY 2015, our cash rose to \$54.7 million compared to \$34.0 million a year ago, which is a good indicator that OKP is managing its finances well over the past year. The Group’s approach is to be far-sighted in terms of managing this cash so as to have sustainable and stable growth for the company. From time to time, OKP evaluates potential investments which may arise or be presented to us. In recent times, the Group has invested in two property developments and a joint venture, which aims to bid for MRT projects; and set up a representative foreign construction service company to explore business opportunities in Jakarta, Indonesia.

Because of such investments, our management has decided that it would be wise to conserve our cash in order that we will have the funds and flexibility to consider new investments if attractive and suitable opportunities arise for us to venture into. In fact, the stable cash actually supports OKP in bidding for more and larger projects. This is a more prudent approach, which will help OKP to manage and grow a sustainable business in the long run.

**OR TOH WAT**  
Group Managing Director

## OUR FUTURE OUTLOOK

In Singapore, the economy saw slower growth of 2.0 per cent in 2015, down from 3.3 per cent in 2014, according to the Ministry of Trade and Industry's announcement on 24 February 2016. Growth in the construction sector dropped to 2.5 per cent compared to 3.5 per cent in 2014, due mainly to a lower volume of industrial and residential building activities in the private sector.

The outlook for the economic climate worldwide remains fragile and volatile with a sharp drop in oil prices, uncertainties in global financial markets, and slow growth in China although the Eurozone and United States economies are expected to see some slight signs of recovery. Most ASEAN economies except for Malaysia are likely to see modest improvements in their growth prospects due to stronger domestic demand. The Malaysian economy is expected to be affected by the weak outlook for commodities. Other uncertainties such as political turmoil and natural disasters continue to add to the unpredictable global environment. These factors will of course weigh on Singapore's economy with the Ministry's growth forecast for 2016 to be between 1.0 and 3.0 per cent.

Although the global economic environment remains challenging, the Singapore construction industry stays optimistic with potential for more sustainable work. According to the Building and Construction Authority, the value of construction contracts to be awarded in 2016 is expected to be between \$27.0 billion and \$34.0 billion, with about 65.0 per cent coming from the public sector, largely due to an increase in civil engineering demand. If these forecasted estimates for 2016 are met, they will be the highest proportion of construction demand from the public sector since 2002. This is certainly good news for the construction industry.

The key projects in the public sector include the ramp-up in the Home Improvement Programme for Housing & Development Board (HDB) flats, the construction of the new National Cancer Centre, State Courts' two new buildings at Havelock Square, JTC's Integrated Logistics Hub, PUB's water reclamation and sewerage projects, Changi Airport's three-runway system (package 2), improvement works to the Kranji Expressway and Pan-Island Expressway, and the remaining contracts for the Thomson-East Coast Mass Rapid Transit (MRT) line.

However, construction demand from the private sector is expected to slow down compared to previous years. This is attributed to less favourable economic

conditions and an increased supply of completed private housing projects and offices.

Looking ahead to 2017 to 2020, the average construction demand is expected to stay positive with estimates to be between \$26.0 billion and \$35.0 billion in 2017 and 2018, and \$26.0 billion to \$37.0 billion in 2019 and 2020. Public sector construction demand is estimated to be between \$16.0 billion and \$20.0 billion annually from 2017 to 2020, with about 60 per cent of the total demand coming from building projects and the remaining from civil engineering projects.



*Alexander Canal is one of OKP's completed construction projects during the year.*





*OKP modified and resurfaced part of the Formula One race circuit around the Marina Bay area in the city centre in preparation for the F1 race.*

Thus, beyond 2016, civil engineering construction demand is expected to remain optimistic. This is due to major infrastructure works including the construction of new MRT lines, the North-South Expressway, associated infrastructure works for Changi Airport Terminal 5 and phase 2 of the Deep Tunnel Sewerage System.

Nevertheless, the construction industry continues to encounter difficulties due to rising business costs, a tight labour market, and a scarcity of experienced and skilled manpower, attributed to the prevailing government policies and legislation involving foreign worker hires.

### **ENGINEERING SUSTAINABLE GROWTH**

In the midst of all these difficulties, the Group remains upbeat due to the fact that it has overcome the ups and downs of a business cycle numerous times in the past to become one of

the leading transport infrastructure and civil engineering companies in Singapore. We are well recognised for our solid expertise, considerable experience and reliability, especially in the public sector where a steady pipeline of institutional and civil engineering contracts are expected to come onboard. Moreover, the Group has been establishing stronger foundations by enhancing its capabilities through joint ventures for property developments and bidding of future MRT projects, and venturing overseas by establishing a representative office in Jakarta, Indonesia. We can say with confidence that as we engineer our future strategically and wisely, we aim to achieve long-term and sustainable growth for the Group now and in the future.



## FIVE-YEAR FINANCIAL HIGHLIGHTS

|   | FY2015<br>\$'000 | FY2014<br>\$'000 | Restated*<br>FY2013<br>\$'000 | FY2012<br>\$'000 | FY2011<br>\$'000 |
|---|------------------|------------------|-------------------------------|------------------|------------------|
| <b>FOR THE YEAR</b>   |                  |                  |                               |                  |                  |
| Revenue - Construction  | 77,572           | 71,113           | 78,677                        | 91,516           | 90,226           |
| Revenue - Maintenance   | 25,718           | 38,363           | 28,317                        | 12,966           | 19,591           |
| Revenue   | 103,290          | 109,476          | 106,994                       | 104,482          | 109,817          |
| Revenue - Construction (% of total revenue)                                   | 75.1%            | 65.0%            | 73.5%                         | 87.6%            | 82.2%            |
| Revenue - Maintenance (% of total revenue)                                    | 24.9%            | 35.0%            | 26.5%                         | 12.4%            | 17.8%            |
| Gross profit  | 13,768           | 8,760            | 11,171                        | 23,449           | 43,210           |
| Gross profit (%)  | 13.3%            | 8.0%             | 10.4%                         | 22.4%            | 39.3%            |
| Earnings Before Interest, Taxation, Depreciation<br>and Amortisation (EBITDA) | 10,826           | 5,240            | 8,608                         | 18,206           | 35,320           |
| EBITDA margin (%)   | 10.5%            | 4.8%             | 8.0%                          | 17.4%            | 32.2%            |
| Finance cost (i.e. Interest expense)  | 62               | 54               | 59                            | 89               | 114              |
| Profit before income tax  | 7,606            | 2,200            | 5,317                         | 14,763           | 32,150           |
| Profit before income tax (%)  | 7.4%             | 2.0%             | 5.0%                          | 14.1%            | 29.3%            |
| Net profit  | 7,004            | 2,539            | 4,809                         | 12,524           | 26,510           |
| Net profit (%)  | 6.8%             | 2.3%             | 4.5%                          | 12.0%            | 24.1%            |
| Profit after income tax and non-controlling<br>interests (PATMI)              | 7,005            | 2,541            | 4,812                         | 12,364           | 26,559           |
| PATMI Margin (%)  | 6.8%             | 2.3%             | 4.5%                          | 11.8%            | 24.2%            |

|  | FY2015<br>\$'000 | FY2014<br>\$'000 | Restated*<br>FY2013<br>\$'000 | FY2012<br>\$'000 | FY2011<br>\$'000 |
|--|------------------|------------------|-------------------------------|------------------|------------------|
| <b>AT YEAR END</b>                                     |                  |                  |                               |                  |                  |
| Current assets   | 83,381           | 74,076           | 75,052                        | 89,514           | 124,095          |
| Total assets   | 137,769          | 132,581          | 134,572                       | 137,519          | 148,333          |
| Current liabilities                                    | 30,813           | 32,202           | 34,875                        | 39,376           | 59,147           |
| Total liabilities                                      | 33,081           | 34,276           | 37,869                        | 41,146           | 60,251           |
| Total debt (ie finance lease)                          | 2,587            | 2,235            | 2,742                         | 1,454            | 1,129            |
| Shareholders' equity                                   | 104,687          | 98,255           | 96,651                        | 96,318           | 88,203           |
| Total equity   | 104,687          | 98,305           | 96,703                        | 96,373           | 88,082           |
| Operating cashflow                                     | 20,253           | (1,115)          | (1,467)                       | (7,041)          | 5,477            |
| Cash and cash equivalents                              | 54,689           | 34,009           | 37,577                        | 53,992           | 92,524           |
| Net tangible assets                                    | 102,917          | 96,425           | 94,752                        | 94,348           | 86,515           |
| Number of shares                                       | 308,431          | 308,431          | 308,431                       | 307,220          | 305,245          |
| Adjusted weighted average number<br>of ordinary shares |                  |                  |                               |                  |                  |
| – Basic  | 308,431          | 308,431          | 308,431                       | 305,771          | 294,407          |
| – Fully diluted  | 308,431          | 308,431          | 308,431                       | 306,974          | 296,971          |
| Share price at year end (cents)                        | 22.00            | 25.50            | 34.50                         | 51.00            | 53.00            |
| Market capitalisation as at 31 December                | 67,855           | 78,650           | 106,409                       | 156,682          | 161,780          |
| Capital expenditure                                    | 2,879            | 2,360            | 3,331                         | 5,570            | 5,015            |

|   | FY2015<br>\$'000 | FY2014<br>\$'000 | Restated*<br>FY2013<br>\$'000 | FY2012<br>\$'000 | FY2011<br>\$'000 |
|---|------------------|------------------|-------------------------------|------------------|------------------|
| <b>FINANCIAL RATIOS</b>   |                  |                  |                               |                  |                  |
| <b>PROFITABILITY</b>  |                  |                  |                               |                  |                  |
| Revenue growth (%)  | (5.7%)           | 2.3%             | 2.4%                          | (4.9%)           | (21.5%)          |
| PATMI growth (%)  | 175.7%           | (47.2%)          | (61.1%)                       | (53.4%)          | 56.7%            |
| Return on assets (%) (PATMI/Total assets)                       | 5.1%             | 1.9%             | 3.6%                          | 9.0%             | 17.9%            |
| Return on equity (%)<br>(PATMI/Ave shareholders equity)         | 6.9%             | 2.6%             | 5.0%                          | 13.4%            | 33.8%            |
| <b>LIQUIDITY</b>  |                  |                  |                               |                  |                  |
| Current ratio (times)   | 2.7              | 2.3              | 2.2                           | 2.3              | 2.1              |
| Cash as per share (cents)                                       | 17.7             | 11.0             | 12.2                          | 17.6             | 30.3             |
| Net tangible assets per share (cents)                           | 33.4             | 31.3             | 30.7                          | 30.7             | 28.3             |
| <b>LEVERAGE</b>   |                  |                  |                               |                  |                  |
| Total debt to equity ratio (times)<br>(Total debt/Total equity) | <0.1             | <0.1             | <0.1                          | <0.1             | <0.1             |
| Interest cover (times) (EBITDA/Finance cost)                    | 174.6            | 97.0             | 145.9                         | 204.6            | 309.8            |
| <b>INVESTORS' RATIO</b>   |                  |                  |                               |                  |                  |
| Earnings per share (cents)                                      |                  |                  |                               |                  |                  |
| – Basic   | 2.3              | 0.8              | 1.6                           | 4.0              | 9.0              |
| – Fully diluted   | 2.3              | 0.8              | 1.6                           | 4.0              | 8.9              |
| Gross dividend per share (cents) – ordinary                     | 0.8              | 0.1              | 0.3                           | 1.5              | 3.0              |
| Gross dividend per share (cents) – special                      | 0.3              | 0.0              | 0.0                           | 0.0              | 0.0              |
| Total gross dividend per share (cents) (DPS)                    | 1.1              | 0.1              | 0.3                           | 1.5              | 3.0              |
| Gross dividend yield (%) based on<br>year end share price       | 5.0%             | 0.4%             | 0.9%                          | 2.9%             | 5.7%             |
| Gross dividend payout (%) (DPS/Basic EPS)                       | 47.8%            | 12.5%            | 18.8%                         | 37.5%            | 33.3%            |
| <b>PRODUCTIVITY</b>   |                  |                  |                               |                  |                  |
| Number of employees   | 814              | 841              | 849                           | 760              | 740              |
| Revenue/employee (\$'000)                                       | 126.9            | 130.2            | 126.0                         | 137.5            | 148.4            |

\* Certain comparative figures have been restated due to the adoption of FRS111 (new) – “Joint Arrangements.”





**EMPOWERING  
OUR PEOPLE**

• • •

**CREATING  
GREATER VALUE**

• • •

We believe in empowering our staff to make the right moves to meet and exceed our customers' expectations, thus creating greater value for all stakeholders.





## OUR CORPORATE PROFILE

OKP Holdings Limited (OKP), together with its subsidiary corporations, is a leading infrastructure and civil engineering group in Singapore. The Group specialises in the construction of airport runways and taxiways, expressways, flyovers, vehicular bridges, urban and arterial roads, airport infrastructure and oil and gas-related infrastructure for petrochemical plants and oil storage terminals.

It also undertakes maintenance works for roads and road-related facilities as well as building construction-related works. In 2010, OKP expanded its core business to include property development and investment.

Started by Founder and Chairman, Mr Or Kim Peow in 1966, OKP has two core business divisions – Construction and Maintenance. The Group tenders for both public and private civil engineering and infrastructure construction projects as well as maintenance contracts.

The Group's clients include both public and private sector organisations. Public sector clients include the Housing & Development Board, JTC Corporation, Land Transport Authority, National Parks Board, Public Utilities Board and Urban Redevelopment Authority. In the private sector, clients include the Changi Airport Group, ExxonMobil, Foster Wheeler Asia Pacific Pte Ltd, WorleyParsons Pte Ltd and Angullia Development Pte. Ltd.

### CORPORATE DEVELOPMENTS

The Group's key strategy is to establish stronger foundations in its core competencies while expanding into other revenue-generating sectors, thus engineering a promising future for the company. Its expertise and reputation as a leading player in the public sector have been well recognised, especially in Singapore. In 2008, the Group's wholly-owned subsidiary, Or Kim Peow Contractors (Pte) Ltd, was upgraded to

an A1 grade civil engineering contractor under the Building and Construction Authority's Contractors' Registry, which allows it to tender for public sector construction projects of unlimited value. In 2009, another wholly-owned subsidiary, Eng Lam Contractors Co (Pte) Ltd, was upgraded to an A2 grade civil engineering contractor, allowing it to tender for public sector construction projects with contract values of up to \$85.0 million each.

To strengthen and add to its capabilities and increase its competitiveness, the Group has invested in a few joint ventures. We took a significant step to invest in the region when most recently on 14 July 2015, wholly-owned subsidiary corporation OKP (Oil & Gas) Infrastructure Pte. Ltd. was granted a licence to operate a representative foreign construction service company in Jakarta, Indonesia. The aim is to explore business opportunities in the building and construction industry there.

In 2014, the Group invested in an associated company, United Singapore Builders Pte. Ltd., with four other established construction companies in order to participate in Mass Rapid Transit (MRT) tenders and undertake MRT projects if awarded.

Earlier in December 2010, wholly-owned subsidiary corporation, Or Kim Peow Contractors (Pte) Ltd, entered into a 50-50 joint venture with Soil-Build (Pte) Ltd, a wholly-owned subsidiary corporation of Soilbuild Construction Group Ltd, which is an established construction company in Singapore. In the same month, the new joint venture company, Forte Builder Pte. Ltd., secured a \$83.5 million contract from Angullia Development Pte. Ltd. to undertake the construction of a luxury condominium in Angullia Park, Orchard Road.



*OKP's first design- and- build project at Bukit Timah Expressway.*



*OKP co-develops an executive condominium, Lake Life at Yuan Ching Road/ Tao Ching Road.*

Continuing to grow its presence in the oil and gas industry is another of OKP's business aim. The Group first entered this sector in 2006 when it won a project related to the \$750.0 million Universal Terminal, a massive petroleum storage facility on Jurong Island, Singapore's oil refining and petrochemical hub. Since then, OKP has secured numerous other projects including civil works relating to ExxonMobil's multi-billion dollar petrochemical project, known as the Second Petrochemical Complex. In August 2010, the Group made greater progress in the sector with the signing of a contract for land reclamation works on Jurong Island.





*OKP has completed a construction project at Seletar Airport.*



*OKP has completed its first and largest oil and gas-related project on Jurong Island.*

To continue to stay ahead of the competition, OKP will seek other opportunities actively in line with its expansion plans. In 2009, wholly-owned subsidiary corporation, OKP Technical Management Pte. Ltd., entered into a joint venture with CIF Singapore Pte. Ltd., a subsidiary corporation of China Sonangol International (S) Pte. Ltd. The latter is a subsidiary corporation of China Sonangol International Limited, an overseas conglomerate engaged in oil, gas and mineral investments and explorations; crude oil supply and national infrastructure construction projects. Earlier, OKP had formed a strategic alliance with China Sonangol

International (S) Pte. Ltd. when the latter subscribed for 15.0 million new ordinary shares in OKP. With the subsequent purchase of 15.0 million additional shares, China Sonangol International (S) Pte. Ltd.'s stake in OKP is about 14.0 per cent.

We frequently keep an eye for fresh opportunities to grow our property development and investment portfolio. In June 2012, OKP's subsidiary corporation, OKP Land Pte. Ltd., took a 10.0 per cent stake in CS Amber Development Pte. Ltd., which is a subsidiary corporation of China Sonangol Land Ltd., the property arm

of China Sonangol International (S) Pte. Ltd. The property developer is currently developing a luxury condominium project at Amber Road named Amber Skye which has been launched for sale.

In September 2013, OKP Land Pte Ltd. formed a joint venture company, Lakehomes Pte. Ltd., with BBR Development Pte. Ltd., Evia Real Estate (5) Pte. Ltd., CNH Investment Pte. Ltd. and Ho Lee Group Pte Ltd to develop a 546-unit executive condominium named Lake Life at Yuan Ching Road /Tao Ching Road in Singapore. Lake Life was successfully launched in October 2014 and recorded strong sales performance.

Through the years, the Group has also won several awards for its annual reports, corporate governance and investor relations efforts. In August 2010, OKP made the Forbes Asia's "Best Under A Billion" List, the magazine's annual ranking of the top 200 firms in the Asia-Pacific region, which were selected from a list of nearly 13,000 publicly-listed top performers with sales under US\$1 billion. It also received "Singapore 1000 Company" Certificates of Achievement from DP Information Group for numerous years.

Listed on the Singapore Exchange since 26 July 2002, OKP's market capitalisation was \$67.9 million (2014: \$78.7 million) while net tangible assets amounted to \$102.9 million (2014: \$96.4 million) as at 31 December 2015.



## OUR MILESTONES

- Wholly-owned subsidiary OKP (Oil & Gas) Infrastructure Pte. Ltd. had been granted a licence to operate a representative foreign construction service company to explore business opportunities in the building and construction industry in Jakarta, Indonesia.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Participation from the LTA at its Annual Safety Award 2015 for the “Major Category (Civil contract value between \$20 million and \$50 million)” for Contract ER391.
- Won two awards - Runner Up in the Most Transparent Company Award for Construction and Materials; and Mainboard Small Caps at the Securities Investors Association (Singapore) 16th Investors’ Choice Awards 2015. This is fourth consecutive year for OKP to have clinched an accolade in the Most Transparent Company Award category.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd has been conferred the Building and Construction Authority (BCA) Green and Gracious Builder (Merit) Award.
- Won the Best Investor Relations Award (Gold) in the “Companies with less than \$300 million market capitalisation” category at Singapore Corporate Awards 2015.
- Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd has been conferred the BCA Green and Gracious Builder (Merit) Award.
- Wholly-owned Eng Lam Contractors Co. (Pte) Ltd was the winner for 2015 Public Utilities Board Safety Achievement Award (Construction).

2015



OKP management at the Singapore Corporate Awards 2015 where the Group won the Best Investor Relations Award (Gold).



Our Group Managing Director, Mr Or Toh Wat (second from right) receiving Merit award for the Singapore Corporate Governance Award 2014, Mainboard Small Caps category from Mr Lawrence Wong (second from left), then Minister for Culture, Community and Youth & Second Minister for Ministry of Communications and Information, at the 15th SIAS Investors' Choice Awards 2014.

- Won two awards – Merit for the Singapore Corporate Governance Award under Mainboard Small Caps category; and Runner-up for the Most Transparent Company Award in the Constructions & Materials category – at Securities Investors Association (Singapore) 15th Investors' Choice Awards 2014.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the Land Transport Authority (LTA) at its Annual Safety Award 2014 for “Category 2 (Civil contract value not exceeding \$120 million)” for companies that have achieved more than 250,000 accident-free man hours for Contract ER368.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the LTA at its Annual Safety Award 2014 for “Category 2 (Civil contract value not exceeding \$120 million)” for companies that have achieved more than 250,000 accident-free man hours for ER391.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Participation from the LTA at its Annual Safety Award 2014 for the “Major Category (Civil contract value between \$20 million and \$50 million)” for Contract ER368.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd has invested in an associated company, United Singapore Builders Pte. Ltd., with Chye Joo Construction Pte Ltd, Ho Lee Construction Pte Ltd, Hwa Seng Builder Pte Ltd and Swee Hong Limited to participate in Mass Rapid Transit (MRT) tenders and undertake MRT projects if awarded.

2014



## OUR MILESTONES

- Wholly-owned subsidiary OKP Land Pte Ltd. has formed a joint venture company, Lakehomes Pte. Ltd., with BBR Development Pte. Ltd., Evia Real Estate (5) Pte. Ltd., CNH Investment Pte. Ltd. and Ho Lee Group Pte Ltd to develop an executive condominium development at Yuan Ching Road /Tao Ching Road in Singapore.
- Won three awards in the “Companies with less than \$300 million in market capitalisation” category at Singapore Corporate Awards 2013 – Best Annual Report (Gold), Best Managed Board (Silver) and Best Investor Relations (Bronze).
- Winner of the Most Transparent Company Award under Mainboard Small Caps Category at Securities Investors Association (Singapore) 14th Investors’ Choice Awards 2013.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Merit from the LTA at its Annual Safety Award 2013. The award is in the “Major Category (Civil Contracts between \$20 million and \$50 million)” for Contract ER368.
- Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the LTA at its Annual Safety Award 2013. The award is in the “Category 2 (Civil contract value not exceeding \$120 million with more than 250,000 accident-free man hours)” for Contract ER368.
- Or Kim Peow Contractors (Pte) Ltd received a Construction Environmental Award from the LTA at its Annual Safety Award 2013. The award is in the “Category 2 (Civil contract value not exceeding \$120 million with more than 250,000 accident-free man hours)” for Contract ER368.
- Or Kim Peow Contractors (Pte) Ltd received the Meritorious Defence Partner Award at the Total Defence Awards 2013 in recognition of its support and contribution to Total Defence.

2013

- A subsidiary, OKP Land Pte. Ltd. took a 10.0 per cent stake in CS Amber Development Pte. Ltd. (previously known as CS Land Properties Pte. Ltd.), a subsidiary of China Sonangol Land Pte. Ltd., the property arm of China Sonangol International (S) Pte. Ltd. This property development company was involved in an en bloc purchase of a condominium block at 8 Amber Road, Singapore 439852 and plans to re-develop it into a premium condominium project.
- Won three awards in the “Companies with less than \$300 million in market capitalisation” category at Singapore Corporate Awards 2012 – Best Chief Financial Officer (Ms Ong Wei Wei), Best Managed Board (Bronze) and Best Investor Relations (Bronze).
- Winner of the Most Transparent Company Award under Mainboard Small Caps category at Securities Investors Association (Singapore) 13th Investors’ Choice Awards 2012.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Merit from the LTA at its Annual Safety Award 2012. The award is in the “Major Category (Civil Contracts between \$20 million and \$50 million)” for Contract ER368.
- Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the LTA at its Annual w Award 2012. The award is in the “Category 2 (Civil contract value not exceeding \$120 million with more than 250,000 accident-free man hours)” for Contract ER368.
- Or Kim Peow Contractors (Pte) Ltd has been conferred the BCA Green and Gracious Builder (Excellent) Award.
- Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd has been conferred the BCA Green and Gracious Builder (Merit) Award.
- Eng Lam Contractors Co. (Pte) Ltd was presented the Meritorious Defence Partner Award at the Total Defence Awards 2012 in recognition of its support and contribution to Total Defence.
- Received Certificate of Achievement from DP Information Group on entering the “Singapore 1000 Company – 2012” list.

2012



- Incorporated a wholly-owned subsidiary, OKP Land Pte Ltd., with an issued and paid-up share capital of \$500,000, comprising 500,000 ordinary shares. The principal business activities of OKP Land Pte. Ltd. are investment holding and property development.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd was assessed by the BCA and found eligible to participate in the Construction Engineering Capability Development Programme. This programme aims to nurture BCA registered general builders to undertake complex projects to build up their construction engineering capability by offering financial incentives.
- Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the LTA at its Annual Safety Awards 2011. The award in Category 2 (contracts less than \$120 million) recognises companies that have achieved more than 0.25 million accident-free man hours for Contract ER288.
- Received Certificate of Achievement from DP Information Group on entering the "Singapore 1000 Company" list under the "Public Listed Company – 2011" category.

2011

- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd signed a 50-50 joint venture agreement with Soil-Build (Pte) Ltd, a wholly-owned subsidiary of property developer Soilbuild Group Holdings Ltd, a well-respected property developer in Singapore. New joint venture company, Forte Builder Pte. Ltd., secured a \$83.5 million contract from Angullia Development Pte. Ltd. to undertake the construction of a luxury Angullia Park condominium in Orchard Road.
- Made Forbes Asia's "Best Under A Billion" List, the magazine's annual ranking of the best 200 companies in the Asia Pacific region, which were selected from a list of nearly 13,000 publicly-listed top-performing companies with sales under US\$1 billion, evaluated based on sales and earnings growth, and shareholders' return on equity over a three-year period and the past one year.
- Received the Best Annual Report Award (Gold) in the "Companies with less than \$300 million in market capitalisation" category at the Singapore Corporate Awards 2010.
- Or Kim Peow Contractors (Pte) Ltd purchased the property at 2A Sungei Kadut Drive for \$3.55 million to provide for future expansion plans of the company.
- Received Certificate of Achievement from DP Information Group, on entering into the "Singapore 1000 Company" list under the "Public Listed Companies – 2010" category.
- Or Kim Peow Contractors (Pte) Ltd received a Certificate of Excellence from the LTA at its Annual Safety Award 2010. The award in the "Major Category (Civil Contracts between \$20 million and \$50 million)" was in recognition of the company's outstanding performance in occupational safety and health management for Contract ER194.

2010



OKP's largest public sector project to date involved the widening of the CTE from PIE to Braddell Interchange.



## OUR MILESTONES

- Secured our largest public sector project to date – \$119.3 million contract from the LTA to widen the stretch of CTE from PIE to Braddell Interchange.
- Allotted and issued 15 million new ordinary shares at the price of \$0.45 for each share to China Sonangol International (S) Pte. Ltd., a subsidiary of China Sonangol International Limited.
- Won two awards at the Singapore Corporate Awards 2009, namely Best Investor Relations Award (Gold) and Best Annual Report Award (Silver) in the “Companies with less than \$300 million in market capitalisation” category.
- OKP Holdings Limited and wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd were awarded the Certificate of Achievement by DP Information Group for making the 22nd “Singapore 1000 & SME 500” rankings.
- Secured our maiden contract from the Urban Redevelopment Authority – a \$3.4 million deal for environmental improvement works.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received the Meritorious Defence Partner Award at the Total Defence Awards 2009.
- Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd was upgraded to an A2 grade civil engineering contractor under the BCA Contractors’ Registry, which allows it to tender for public sector construction projects with contract values of up to \$85.0 million each.
- Wholly-owned subsidiary OKP Technical Management Pte. Ltd. entered into a 50-50 joint venture agreement with CIF Singapore Pte. Ltd., to further grow the business overseas.
- Distributed bonus issue of 82,430,468 new shares on the basis of one new OKP share for every two existing shares held and a rights issue of warrants on the basis of one warrant for every four existing ordinary shares held by entitled shareholders. Each warrant was issued at a consideration of 1.0 cent, with an exercise price of 20.0 cents and an exercise period of three years.
- Or Kim Peow Contractors (Pte) Ltd received a Certificate of Excellence from the LTA at its Annual Safety Award 2009 in the “Minor Category (Civil Contracts less than \$20 million)” for Contract ER213.

2009

- OKP was the Silver Winner for Best Investor Relations Award – Small Market Capitalisation category, at the Singapore Corporate Awards 2008.
- OKP was the first to be awarded a road-widening contract in relation to the Government’s plan for the upgrading and improvement of the Central Expressway (CTE). The contract, worth \$16.9 million, was to widen the stretch of the CTE between Ang Mo Kio Avenue 1 and Ang Mo Kio Avenue 3.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd was upgraded to an A1 grade civil engineering contractor under the Contractors Registry regulated by the Building and Construction Authority (BCA), allowing it to tender for public sector construction projects of unlimited value.
- Upgraded our listing from the Catalist (formerly Sesdaq) to the SGX Mainboard with effect from 25 July 2008.
- Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd received the Meritorious Defence Partner Award at the Total Defence Awards 2008 in recognition of its support and contribution to Total Defence.
- Successfully completed two projects from the LTA to widen and re-surface roads with special-mix asphalt for the prestigious Formula One race which took place in September 2008.
- Successfully completed our first and largest oil and gas-related project, which is related to the \$750.0 million Universal Terminal, a massive petroleum storage facility.
- Successfully completed another oil and gas-related project in Jurong Island.
- Received Certificate of Achievement from DP Information Group for making the “Singapore 1000 Company” list under the “Public Listed Company – 2008” category.

2008





- Issued and allotted 13.6 million new ordinary shares for cash at \$0.16821 each pursuant to a placement exercise.
- Incorporated a 55.0 per cent joint venture company, OKP (Oil & Gas) Infrastructure Pte Ltd, to carry out civil engineering projects in respect of oil, petrochemical and gas related businesses in Singapore.
- Bagged a hefty \$44.0 million civil engineering deal from Foster Wheeler Asia Pacific Pte Ltd and WorleyParsons Pte Ltd.
- Secured two awards totalling \$8.6 million from the LTA to widen and re-surface roads with special-mix asphalt for the prestigious Formula One race slated for September 2008.
- Received the Contractor of the Month Award for October and November 2007 from Foster Wheeler Asia Pacific Pte Ltd and WorleyParsons Pte Ltd.
- Successfully completed our first overseas project in Rota (Island).
- OKP (Oil & Gas) Infrastructure Pte Ltd took off, securing a total of three projects on Jurong Island worth a total of \$11.1 million.
- Received Certificate of Achievement from DP Information Group on entering the "Singapore 1000 Company" list under the "Public Listed Company – 2007" category.

2007

- Awarded our first overseas project worth approximately \$14.3 million in Rota (Island) in CNMI.
- Became one of the first few Singaporean companies to do business in the CNMI.
- Broke into the oil and gas industry with our first and largest project worth approximately \$50.0 million.
- Became one of the first civil contractors appointed by Foster Wheeler Asia Pacific Pte Ltd and WorleyParsons Pte Ltd to carry out civil works in Jurong Island.
- Won the Best Annual Report Award (Gold) for Sesdaq company at the Inaugural Singapore Corporate Awards 2006 for excellent standards of corporate disclosure.
- Incorporated a 55.0 per cent-owned subsidiary company, United Pavement Specialists Pte Ltd, to handle asphalt-related business in the CNMI and Micronesia.
- Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd was the winner of the Housing & Development Board Safety Award 2006 for the construction of roads at Yishun Street 31 (between Yishun Ring Road and Yishun Ave 6).
- Secured our first project with the National Parks Board.
- Received the Contractor of the Month Award for July 2006 from Foster Wheeler Asia Pacific Pte Ltd and WorleyParsons Pte Ltd.
- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Merit from the Land Transport Authority (LTA) at its Annual Safety Award 2006 for the "Major Category" for Contract PE100.

2006



# OUR MILESTONES

- Incorporated a 96 per cent-owned subsidiary company, OKP (CNMI) Corporation in Saipan, Commonwealth of Northern Mariana Islands (CNMI) to handle the Group's infrastructure, construction and building-related businesses in CNMI.

2005

- Ranked the second runner-up at 30th Annual Report Awards in the Sesdaq-listed companies category organised by the Institute of Certified Public Accountants of Singapore, Investment Management Association of Singapore, Securities Investors Association (Singapore), Singapore Institute of Management, Singapore Institute of Directors, Singapore Exchange Limited and The Business Times.
- Successfully completed our first construction-related high-rise building project.

2004

- Listed on 26 July 2002.
- Secured our first airport-related project worth \$39.5 million.
- Secured our first design and build project worth \$21.6 million.

2002

- Incorporated a wholly-owned subsidiary company, OKP Investments (China) Pte Ltd, to handle construction-related business in China.
- Entered into an Alliance Agreement with other building and construction professionals to offer a one-stop solutions centre to customers in India and other countries.
- Undertook our first construction-related high-rise building project worth \$10.5 million with a private property developer.

2003

# OUR AWARDS AND ACCOLADES

## COMPANY RANKING

**2012**

Received the Certificate of Achievement from DP Information Group on entering the “Singapore 1000 Company - 2012” list.

**2011**

Received Certificate of Achievement from DP Information Group on entering the “Singapore 1000 Company” list under the “Public Listed Companies - 2011” category.

**2010**

Made Forbes Asia’s “Best Under A Billion” List, the magazine’s annual ranking of the best 200 companies in the Asia Pacific region, which were selected from a list of nearly 13,000 publicly-listed top performers with sales under US\$1 billion, evaluated based on factors such as sales and earnings growth, and shareholders’ return on equity over a three-year period and the past one year.

Received Certificate of Achievement from DP Information Group, on entering into the “Singapore 1000 Company” list under the “Public Listed Companies - 2010” category.

**2009**

OKP Holdings Limited and wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd were awarded the Certificate of Achievement by DP Information Group for making the 22nd “Singapore 1000 & SME 500” rankings.

**2008**

Received Certificate of Achievement from DP Information Group for making the “Singapore 1000 Company” list under the “Public Listed Companies - 2008” category.

**2007**

Received Certificate of Achievement from DP Information Group on entering the “Singapore 1000 Company” list under the “Public Listed Companies - 2007” category.



*Our Group Managing Director, Mr Or Toh Wat (centre) receiving Runner-up award for the Most Transparent Company Award 2014 in the Constructions & Materials category from Mrs Lim Hwee Hua, Honorary Chairman of Securities Investors Association (SIAS) at the SIAS 15th Investors’ Choice Awards 2014.*

## INVESTOR RELATIONS/TRANSPARENCY

**2015**

Won two awards - Runner Up in the Most Transparent Company Award for Construction and Materials; and Mainboard Small Caps at the Securities Investors Association (Singapore) 16th Investors’ Choice Awards 2015.

Won the Best Investor Relations Award (Gold) in the “Companies with less than \$300 million market capitalisation” category at Singapore Corporate Awards 2015.

**2014**

Won two awards - Merit for the Singapore Corporate Governance Award under Mainboard Small Caps Category; and Runner-up for the Most Transparent Company Award in the Constructions & Materials Category at Securities Investors Association (Singapore) 15th Investors’ Choice Awards 2014.

**2013**

Won three awards in the “Companies with less than \$300 million in market capitalisation” category at Singapore Corporate Awards 2013 - Best Annual Report (Gold), Best Managed Board (Silver) and Best Investor Relations (Bronze).

Winner of the Most Transparent Company Award under Mainboard Small Caps Category at Securities Investors Association (Singapore) 14th Investors’ Choice Awards.

**2012**

Winner of the Most Transparent Company Award under Mainboard Small Caps Category at Securities Investors Association (Singapore) 13th Investors’ Choice Awards.

Won three awards in the “Companies with less than \$300 million in market capitalisation” category at Singapore Corporate Awards 2012 - Best Chief Financial Officer (Ms Ong Wei Wei), Best Managed Board (Bronze) and Best Investor Relations (Bronze).



## OUR AWARDS AND ACCOLADES

### 2010

Received Best Annual Report Award (Gold) in the “Companies with less than \$300 million in market capitalisation” category at the Singapore Corporate Awards 2010.

### 2009

Won two awards at the Singapore Corporate Awards 2009, namely Best Investor Relations Award (Gold) and Best Annual Report Award (Silver) in the “Companies with less than \$300 million in market capitalisation” category.

### 2008

OKP was the Silver Winner for Best Investor Relations Award – Small Market Capitalisation category at the Singapore Corporate Awards 2008.

### 2006

Won Best Annual Report Award (Gold) for Sesdaq company at the Inaugural Singapore Corporate Awards 2006 for excellent standards of corporate disclosure.

### 2004

Ranked second runner-up at 30th Annual Report Awards in the Sesdaq-listed companies category organised by the Institute of Certified Public Accountants of Singapore, Investment Management Association of Singapore, Securities Investors Directors, Singapore Exchange Limited and The Business Times.

## SAFETY/ENVIRONMENT

### 2015

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the Land Transport Authority (LTA) at its Annual Safety Award 2015 for “Category 2 (Civil contract value not exceeding \$120 million)” for companies that have achieved more than 250,000 accident-free man hours for Contract ER391.

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Participation from the LTA at its Annual Safety Award 2015 for the “Major Category (Civil contract value between \$20 million and \$50 million)” for Contract ER391.



*Our Executive Director, Mr Oh Enc Nam (right) receiving a trophy from PUB CEO, Mr Ng Joo Hee (left) as the winner of 2015 PUB Safety Achievement Award (Construction).*

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd has been conferred the Building and Construction Authority (BCA) Green and Gracious Builder (Merit) Award.

Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd has been conferred the BCA Green and Gracious Builder (Merit) Award.

Wholly-owned Eng Lam Contractors Co. (Pte) Ltd was the winner of 2015 Public Utilities Board Safety Achievement Award (Construction).

### 2014

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the LTA at its Annual Safety Award 2014 for “Category 2 (Civil contract value not exceeding \$120 million)” for companies that have achieved more than 250,000 accident-free man hours for Contract ER368.

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the LTA at its Annual Safety Award 2014 for “Category 2 (Civil contract value not exceeding \$120 million)” for companies that have achieved more than 250,000 accident-free man hours for ER391.

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Participation from the LTA at its Annual Safety Award 2014 for the “Major Category (Civil contract value between \$20 million and \$50 million)” for Contract ER368.



### 2013

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the LTA at its Annual Safety Award 2013. The award is in the “Category 2 (Civil contract value not exceeding \$120 million with more than 250,000 accident-free man hours)” for Contract ER368.

Or Kim Peow Contractors (Pte) Ltd OKPC received a Certificate of Recognition from the LTA at its Annual Safety Award 2013. The award is in the “Category 2 (Civil contract value not exceeding \$120 million with more than 250,000 accident-free man hours)” for Contract ER391.

Or Kim Peow Contractors (Pte) Ltd received a Certificate of Merit from the LTA at its Construction Environmental Award 2013. The award is in the “Major Category (Civil contract value between \$20 million and \$50 million)” for Contract ER201.

### 2012

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Merit from the LTA at its Annual Safety Award 2012. The award is in the “Major Category (Civil Contracts between \$20 million and \$50 million)” for Contract ER368.

Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the LTA at its Annual Safety Award 2012. The award is in the “Category 2 (Civil contract value not exceeding \$120 million with more than 250,000 accident-free man hours)” for Contract ER368.

Or Kim Peow Contractors (Pte) Ltd has been conferred the BCA Green and Gracious Builder (Excellent) Award.

Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd has been conferred the BCA Green and Gracious Builder (Merit) Award.

### 2011

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Recognition from the LTA at its Annual Safety Award 2011 for the “Category 2 (Civil contracts less than \$120 million)” for companies that have achieved more than 250,000 accident-free man hours for Contract ER288.

### 2010

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Excellence from the LTA at its Annual Safety Award 2010. The award in the “Major Category (Civil Contracts between \$20 million and \$50 million)” was in recognition of the company’s outstanding performance in occupational safety and health management for Contract ER194.

### 2009

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Excellence by the LTA at its Annual Safety Award 2009. The award in the “Minor Category (Civil Contracts less than \$20 million)” was in recognition of the company’s outstanding performance in occupational safety and health management for Contract ER213.

### 2006

Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd was the winner of the Housing & Development Board Safety Award 2006 for construction of roads at Yishun Street 31 (between Yishun Ring Road and Yishun Avenue 6).

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received a Certificate of Merit from the LTA at its Annual Safety Award 2006 for the “Major Category” for Contract PE100.

## DEFENCE

### 2013

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received the Meritorious Defence Partner Award at the Total Defence Awards 2013 in recognition of its support and contribution to Total Defence.

### 2012

Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd was presented the Meritorious Defence Partner Award at the Total Defence Awards 2012 in recognition of its support and contribution to Total Defence.

### 2009

Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd received the Meritorious Defence Partner Award at the Total Defence Awards 2009 in recognition of its support and contribution to Total Defence.

### 2008

Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd received the Meritorious Defence Partner Award at the Total Defence Awards 2008 in recognition of its support and contribution to Total Defence.



## OUR BOARD OF DIRECTORS



**MR OR KIM PEOW, BBM**  
Group Chairman



**MR OR TOH WAT, BBM**  
Group Managing Director



**MDM ANG BENG TIN**  
Executive Director



**MR OR KIAM MENG**  
Executive Director



**MR OH ENC NAM**  
Executive Director



**MR OR LAY HUAT DANIEL,  
PBM**  
Executive Director



**DR CHEN SEOW PHUN,  
JOHN**  
Lead Independent Director



**MR NIRUMALAN S/O  
V KANAPATHI PILLAI**  
Independent Director



**MR TAN BOEN ENG**  
Independent Director



## MR OR KIM PEOW, BBM

GROUP CHAIRMAN

---

**Date of first appointment as a director: 15 February 2002**

**Date of last re-appointment as director: 27 April 2015**

---

Mr Or Kim Peow, BBM, is the founder of the Group. With more than 56 years of experience in the infrastructure and civil engineering business, he is responsible for overseeing the overall management and strategic development of the Group. Mr Or founded the Group 49 years ago and was instrumental in growing and steering it through major changes in its history. He continues to be active, playing an advisory role in the Group's strategic development and planning.

Mr Or is also actively involved in community activities and in recognition of his contributions, he was awarded the Public Service Award (PBM) in 2003 and the Public Service Award (BBM) in 2014. He is currently the Patron of Potong Pasir Citizens' Consultative Committee and a Fellow of the Singapore Institute of Directors.

Present directorships in other listed companies: Nil  
Past directorships held over the preceding three years: Nil

## MR OR TOH WAT, BBM

GROUP MANAGING DIRECTOR

---

**Date of first appointment as a director: 15 February 2002**

**Date of last re-appointment as director: Not Applicable**

---

Mr Or Toh Wat, BBM, has more than 24 years of experience in the construction industry. He is responsible for setting the Group's corporate directions and strategies, and overseeing the day-to-day management and business development of the Group.

Actively involved in community activities and in recognition of his contributions, Mr Or was awarded the Public Service Award (PBM) in 2005 and the Public Service Award (BBM) in 2013. He is currently the Chairman of Potong Pasir Community Club Management Committee.

Mr Or holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic and a Bachelor of Applied Science (Construction Management) with Honours from the Royal Melbourne Institute of Technology.

He is the son of Mr Or Kim Peow, who is the Group Chairman.

Present directorships in other listed companies: Nil  
Past directorships held over the preceding three years: Nil

## MDM ANG BENG TIN

EXECUTIVE DIRECTOR

---

**Date of first appointment as a director: 20 March 2002**

**Date of last re-appointment as director: 27 April 2015**

---

Joining the Group in 1979, Mdm Ang Beng Tin has more than 41 years of experience in administration and human resources. She is responsible for managing employee relations, benefit programmes and insurance claims at Or Kim Peow Contractors (Pte) Ltd, one of the Group's principal subsidiaries.

Mdm Ang holds GCE 'O' Level qualifications.

She is the wife of Mr Or Kim Peow, who is the Group Chairman.

Present directorships in other listed companies: Nil  
Past directorships held over the preceding three years: Nil

## MR OR KIAM MENG

EXECUTIVE DIRECTOR

---

**Date of first appointment as a director: 20 March 2002**

**Date of last re-appointment as director: 28 April 2014**

---

Joining the Group in 1985, Mr Or Kiam Meng has more than 30 years of experience in the construction industry. He oversees the daily site management and operations of Or Kim Peow Contractors (Pte) Ltd, one of the Group's principal subsidiaries.

Mr Or is currently the Patron of Anchorvale Community Centre Management Committee. He holds a Diploma in Building and a Certificate in Occupational Safety & Health from Singapore Polytechnic.

He is the son of Mr Or Kim Peow, who is the Group Chairman.

Present directorships in other listed companies: Nil  
Past directorships held over the preceding three years: Nil

## OUR BOARD OF DIRECTORS

### MR OH ENC NAM

EXECUTIVE DIRECTOR

---

**Date of first appointment as a director: 20 March 2002**

**Date of last re-appointment as director: 30 April 2013**

---

Joining the Group in 1978, Mr Oh Enc Nam has more than 36 years of experience in the construction industry. He is responsible for the day-to-day management and overall operations of Eng Lam Contractors Co. (Pte) Ltd, one of the Group's principal subsidiaries.

Mr Oh holds GCE 'A' Level qualifications.

He is the nephew of Mr Or Kim Peow, who is the Group Chairman.

Present directorships in other listed companies: Nil

Past directorships held over the preceding three years: Nil

### MR OR LAY HUAT DANIEL, PBM

EXECUTIVE DIRECTOR

---

**Date of first appointment as a director: 1 August 2006**

**Date of last re-appointment as director: 30 April 2013**

---

Mr Or Lay Huat Daniel, PBM, is currently responsible for business development and corporate communications of the Group. Actively involved in community activities and in recognition of his contributions, he was awarded the Public Service Award (PBM) in 2014. Currently, he is a member of Tampines Group Representation Constituency (GRC) and Tampines West Citizen Consultative Committee. He is also a member of the School Advisory Committee (SAC) and serves in the Finance Sub-Committee of East View Primary School. He is also a member of the Singapore Institute of Directors.

Mr Or holds a Bachelor of Commerce majoring in Corporate Finance from the University of Western Australia, Perth.

He is the son of Mr Or Kim Peow, who is the Group Chairman.

Present directorships in other listed companies: Nil

Past directorships held over the preceding three years: Nil

### DR CHEN SEOW PHUN, JOHN

LEAD INDEPENDENT DIRECTOR

CHAIRMAN, AUDIT COMMITTEE

MEMBER, NOMINATING COMMITTEE AND  
REMUNERATION COMMITTEE

---

**Date of first appointment as a director: 25 June 2002**

**Date of appointment as the lead independent director: 1 August 2006**

**Date of last re-appointment as director: 28 April 2014**

---

Dr Chen Seow Phun, John is currently the Executive Chairman of Pavillon Holdings Limited (previously known as Thai Village Holdings Limited) and the Chairman of SAC Capital Private Limited. He also sits on the boards of a number of publicly listed companies.

He was a Member of Parliament from September 1988 to April 2006. From March 1997 to June 1999, Dr Chen was the Minister of State for Communications. From June 1999 to November 2001, he was the Minister of State for Communications and Information Technology and Minister of State for National Development. He has served as a Board Member of the Economic Development Board, the Housing & Development Board, the Port of Singapore Authority and Singapore Power Ltd. He is a Fellow of the Singapore Institute of Directors.

Dr Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.

Present directorships in other listed companies:

Fu Yu Corporation Ltd; Hanwell Holdings Ltd (previously known as PSC Corporation Ltd); Hiap Seng Engineering Ltd; HLH Group Limited (previously known as PDC Corp Ltd); Matex International Limited; Pavillon Holdings Ltd (previously known as Thai Village Holdings Ltd) and Tat Seng Packaging Group Ltd

Past directorships held over the preceding three years: Nil

## MR NIRUMALAN S/O V KANAPATHI PILLAI

INDEPENDENT DIRECTOR  
CHAIRMAN, REMUNERATION COMMITTEE  
MEMBER, AUDIT COMMITTEE AND NOMINATING  
COMMITTEE

---

**Date of first appointment as a director: 1 June 2005**

**Date of last re-appointment as director: 27 April 2015**

---

Mr Nirumalan s/o V Kanapathi Pillai is the Senior Director of Global Law Alliance LLC (incorporating Niru & Co). Global Law Alliance LLC is a corporate law firm representing leading global banking and financial institutions, major international companies including Fortune 500 companies, private equity groups, venture capitalists and global asset management companies. In the late 1990s, Niru & Co was associated with CMS Cameron McKenna, a top-tier law firm with headquarters in London. Mr Niru has been in legal practice for more than 30 years, specialising in insurance, reinsurance, shipping, libel and slander, corporate, commercial and civil litigation. He qualified as a Barrister-at-Law (England and Wales) and was admitted to the Honourable Society of the Inner Temple in 1976. He has been practising as an Advocate and Solicitor of the Supreme Court of Singapore since 1978 and was admitted as a Barrister and Solicitor of the Supreme Court of Victoria, Australia, in 1990.

Mr Niru holds a LLM from the University of Melbourne, Australia and a LLM (with Distinction) from the Nottingham Trent University, United Kingdom. He is also a Fellow of the Chartered Institute of Arbitrators, United Kingdom and the Singapore Institute of Arbitrators. Until 2008, he was also an Adjunct Associate Professor in the Faculty of Engineering, National University of Singapore.

Present directorships in other listed companies: Nil

Past directorships held over the preceding three years: Nil

## MR TAN BOEN ENG

INDEPENDENT DIRECTOR  
CHAIRMAN, NOMINATING COMMITTEE  
MEMBER, AUDIT COMMITTEE AND  
REMUNERATION COMMITTEE

---

**Date of first appointment as a director: 25 June 2002**

**Date of last re-appointment as director: 27 April 2015**

---

Mr Tan Boen Eng has extensive experience in both the public and private sectors. He has held and is currently holding directorships in several listed and non-listed companies from various industries, including business consultancy, training and management consultancy. Mr Tan was the President of the Institute of Certified Public Accountants of Singapore from 1995 to April 2009. He was a member of the Nanyang Business School Advisory Committee, Nanyang Technological University and is currently a Board member of Singapore Institute of Accredited Tax Professionals. He has previously held the positions of Senior Deputy Commissioner of the Inland Revenue Authority of Singapore, Director of Singapore Pools Pte Ltd and Board Member of the Accounting and Corporate Regulatory Authority. He also served as Chairman of the Securities Industries Council and was a member of the Singapore Sports Council.

Mr Tan holds a Bachelor of Arts in Economics (Honours) from the University of Malaya in Singapore. He is also a Fellow of the Institute of Singapore Chartered Accountants and CPA Australia. He received the Public Administration Medal (Silver) in 1975.

Present directorships in other listed companies: TEE  
International Limited

Past directorships held over the preceding three years: Nil



## OUR KEY MANAGEMENT

### **MS ONG WEI WEI**

GROUP FINANCIAL  
CONTROLLER  
OKP HOLDINGS LIMITED

Ms Ong Wei Wei joined OKP Holdings Limited in 2002. She oversees the Group's finance and corporate functions covering financial reporting, treasury, tax, legal and corporate secretarial duties and investor relations. Before joining the Group, she was a corporate advisory manager with an accounting firm.

She is a Fellow of the Institute of Singapore Chartered Accountants and Association of Chartered Certified Accountants (United Kingdom). She is also a member of the Institute of Internal Auditors, Inc. (Singapore Chapter) and an associate member of the Singapore Institute of Directors.

Ms Ong was conferred the Best Chief Financial Officer Award at the Singapore Corporate Awards 2012 under the category for companies with less than \$300 million in market capitalisation.

### **MR OR YEW WHATT**

EXECUTIVE DIRECTOR  
ENG LAM CONTRACTORS CO.  
(PTE) LTD

Mr Or Yew Whatt joined the Group in 1989. He is currently the Project Director of Eng Lam Contractors Co. (Pte) Ltd, one of the Group's principal subsidiaries. He is responsible for the supervision of projects and resolving of site issues and is involved in the project tender process. He has more than 25 years of experience in the construction industry.

He holds a Certificate in Pavement Construction and Maintenance from the Building and Construction Authority.

Mr Or is the nephew of Mr Or Kim Peow, who is the Group Chairman. He is the brother of Mr Oh Enc Nam, who is the Executive Director.

### **MR OH KIM POY**

EXECUTIVE DIRECTOR  
ENG LAM CONTRACTORS CO.  
(PTE) LTD

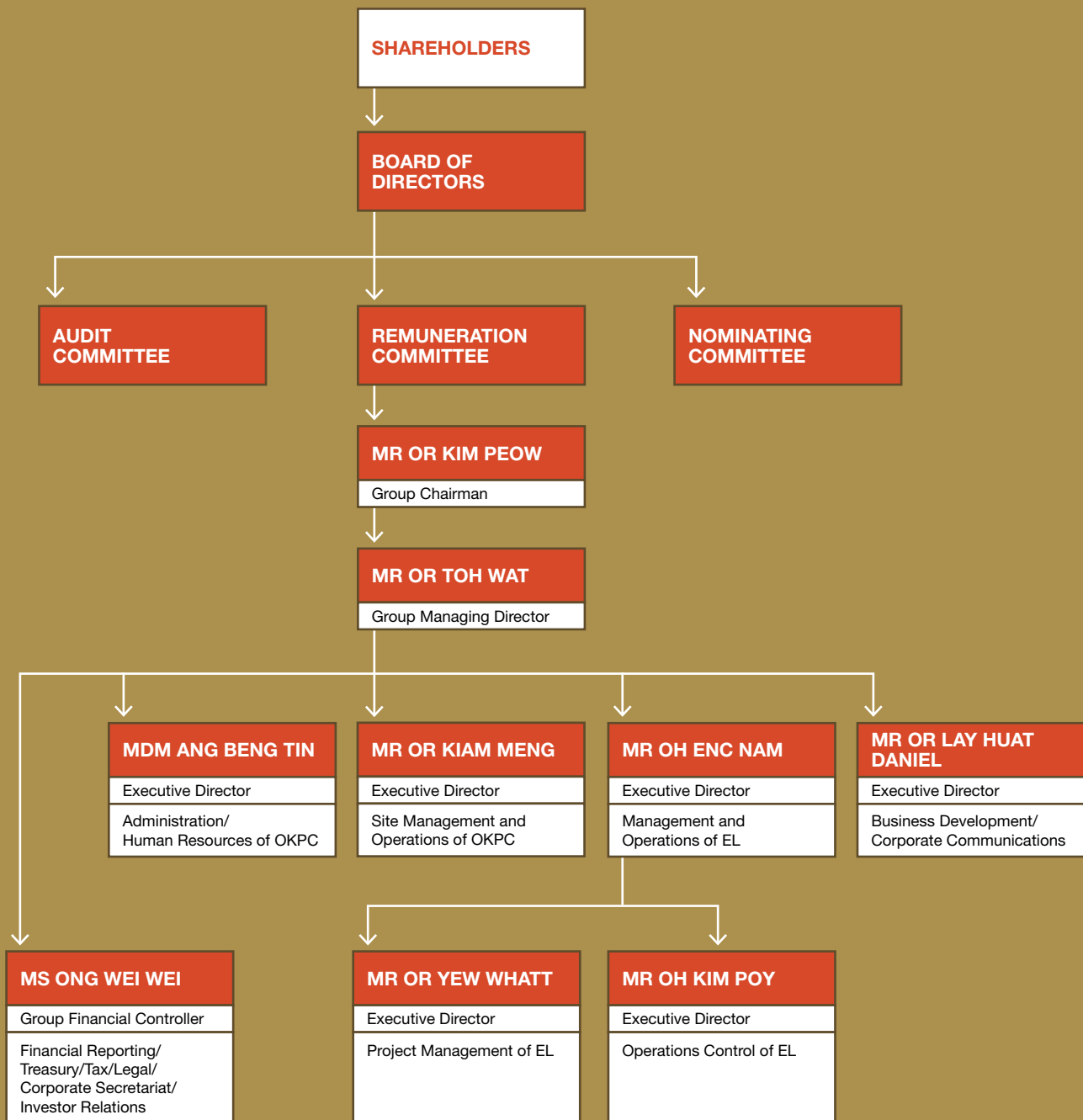
Mr Oh Kim Poy joined the Group in 1977. He is currently the Operations Director of Eng Lam Contractors Co. (Pte) Ltd, one of the Group's principal subsidiaries. He is responsible for supervising and monitoring of projects.

Mr Oh has more than 41 years of experience in the construction industry.

He is the brother of Mr Or Kim Peow, who is the Group Chairman.



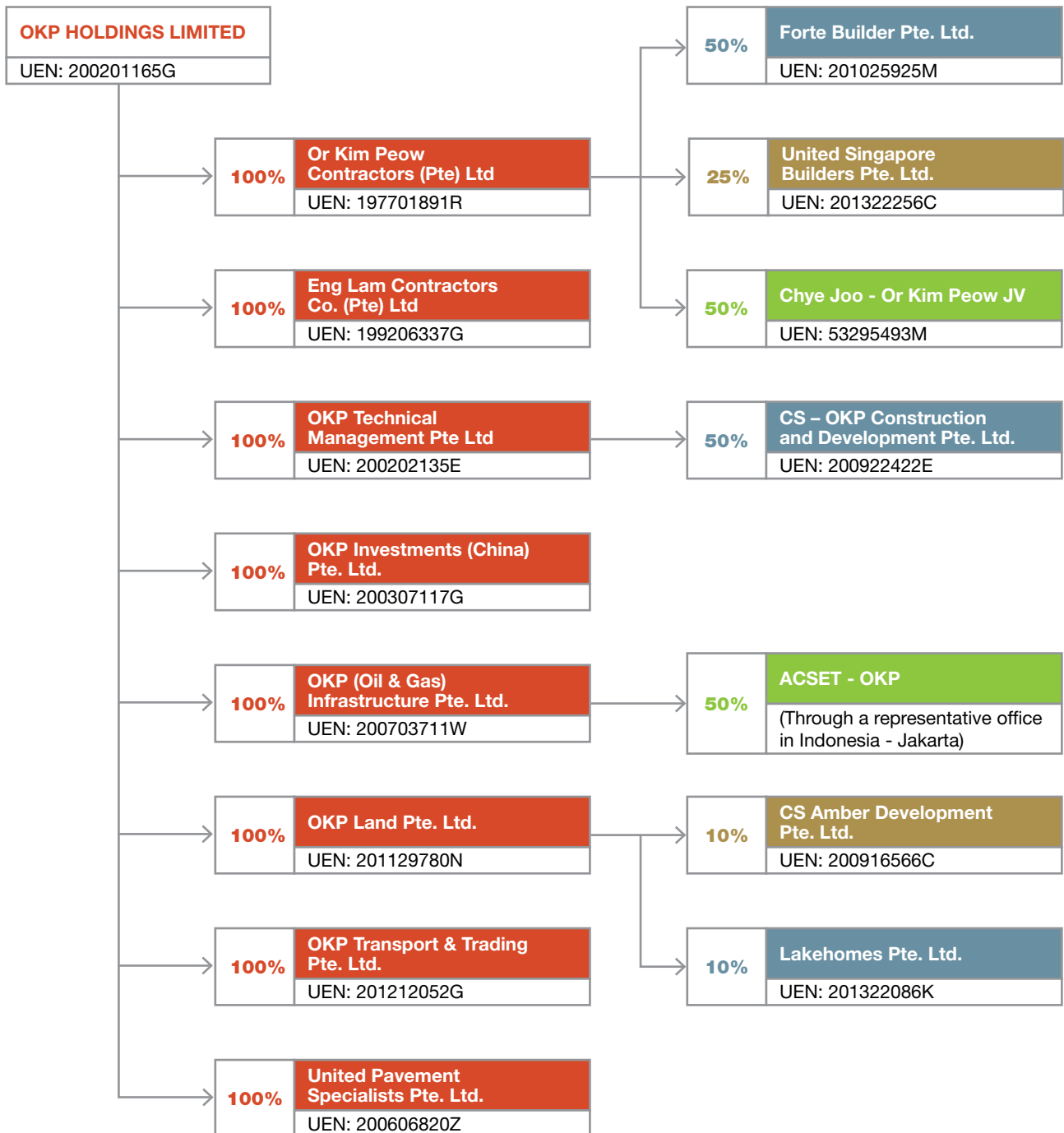
# OUR ORGANISATION CHART



OKPC : Or Kim Peow Contractors (Pte) Ltd  
EL: Eng Lam Contractors Co. (Pte) Ltd



# OUR GROUP STRUCTURE



- Subsidiary Corporations
- Incorporated Joint Ventures
- Associated Companies
- Unincorporated Joint Ventures



# OUR CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

**Group Chairman**  
Mr Or Kim Peow

**Group Managing Director**  
Mr Or Toh Wat

**Executive Directors**  
Mdm Ang Beng Tin  
Mr Or Kiam Meng  
Mr Oh Enc Nam  
Mr Or Lay Huat Daniel

**Lead Independent Director**  
Dr Chen Seow Phun, John

**Independent Directors**  
Mr Nirumalan s/o  
V Kanapathi Pillai  
Mr Tan Boen Eng

## **AUDIT COMMITTEE**

**Chairman**  
Dr Chen Seow Phun, John

**Members**  
Mr Nirumalan s/o  
V Kanapathi Pillai  
Mr Tan Boen Eng

## **NOMINATING COMMITTEE**

**Chairman**  
Mr Tan Boen Eng

**Members**  
Dr Chen Seow Phun, John  
Mr Nirumalan s/o  
V Kanapathi Pillai

## **REMUNERATION COMMITTEE**

**Chairman**  
Mr Nirumalan s/o  
V Kanapathi Pillai

**Members**  
Dr Chen Seow Phun, John  
Mr Tan Boen Eng

## **COMPANY SECRETARY**

Mr Vincent Lim Bock Hui  
LL.B (Hons)

## **REGISTERED OFFICE**

UEN: 200201165G  
30 Tagore Lane  
Singapore 787484  
T: (65) 6456 7667  
F: (65) 6459 4316  
W: www.okph.com

## **DATE OF INCORPORATION**

15 February 2002

## **SHARE REGISTRAR**

Boardroom Corporate &  
Advisory Services Pte. Ltd.  
50 Raffles Place  
#32-01  
Singapore Land Tower  
Singapore 048623  
T: (65) 6536 5355  
F: (65) 6536 1360

## **SHARE LISTING**

OKP was listed on the Singapore Exchange Dealing and Automated Quotation System (Sesdaq), now renamed Catalist, on 26 July 2002. Its listing was upgraded from the Catalist to the SGX Mainboard with effect from 25 July 2008.

## **INDEPENDENT AUDITOR**

**Nexia TS Public  
Accounting Corporation**  
Public Accountants and  
Chartered Accountants  
100 Beach Road  
#30-00 Shaw Tower  
Singapore 189702  
T: (65) 6534 5700  
F: (65) 6534 5766

**Director-in-charge**  
Mr Low See Lien

**Financial year appointed**  
31 December 2013

## **INTERNAL AUDITOR**

**HLS Risk Advisory  
Services Pte Ltd**  
15 Hoe Chiang Road  
#12-02 Tower Fifteen  
Singapore 089316  
T: (65) 6423 9969  
F: (65) 6423 9979

## **PRINCIPAL BANKERS**

**Oversea-Chinese Banking  
Corporation Limited**  
63 Chulia Street  
#06-00 OCBC Centre East  
Singapore 049514  
T: (65) 6530 8356  
F: (65) 6532 2359

**Malayan Banking Berhad  
Maybank Tower**  
2 Battery Road  
Singapore 049907  
T: (65) 6550 7409  
F: (65) 6535 6155

## **DBS Bank Ltd**

12 Marina Boulevard #43-03  
DBS Asia Central  
@ MBFC Tower 3  
Singapore 018982  
T: (65) 6878 8704  
F: (65) 6534 4080

## **United Overseas Bank Limited**

80 Raffles Place  
#11-00 UOB Plaza 1  
Singapore 048624  
T: (65) 6539 2786  
F: (65) 6438 1712

## **Citibank, N.A. Singapore Branch**

8 Marina View  
#17-01  
Asia Square Tower 1  
Singapore 018960  
T: (65) 6657 5875  
F: (65) 6657 6044

## **INVESTOR RELATIONS**

For enquiries, please contact  
the Investor Relations  
Department at:  
T: (65) 6456 7667  
F: (65) 6459 4316  
E: okpir@okph.com

## **STOCK DATA**

**Stock Code**  
Bloomberg: OKP SP EQUITY  
Reuters: OKPH.SI  
SGX: 5CF

**ISIN Code**  
SG1M55904841

**SGX Sector Classification**  
Construction

A nighttime city street scene with light trails from cars and a large circular graphic overlay. The overlay is a large, semi-transparent circle with a white border, containing text. The background shows a city street at night with light trails from cars and a tall building with lights.

**ENGINEERING  
OUR FUTURE**

• • •

**FORGING  
STRONGER  
PARTNERSHIPS**

• • •

We engineer a sustainable and bright future by forging close and strong relationships with our customers and business partners, thus building lasting and solid partnerships.







# OUR OPERATING AND FINANCIAL REVIEW

## OPERATING REVIEW

### BUSINESS SEGMENTAL BREAKDOWN

#### I. CONSTRUCTION

##### Completed Construction Projects

During the year under review, there were three completed construction projects, which had been secured since August 2011 and were completed in 2015. The construction segment continued to be the major contributor to our Group's total revenue, contributing 75.1 per cent at \$77.6 million in 2015.

##### List of Completed Construction Projects

| No | Description of completed construction projects                                    | Customer                 | Date of Commencement | Date of Completion              | Contract Value (\$) |
|----|---|--------------------------|----------------------|---------------------------------|---------------------|
| 1. | Proposed sewers from Tuas South Avenue 14 to Tuas South Avenue 12 (JTC C04202011) | JTC Corporation          | August 2011          | July 2012 (extended till 2015)  | 4,927,000           |
| 2. | Improvement to Alexandra Canal (between Zion Road and Kim Seng Road) (1110425)    | Public Utilities Board   | September 2011       | March 2014 (Extended till 2015) | 46,866,960          |
| 3. | Expansion of the CTE/TPE/SLE Interchange (ER391)                                  | Land Transport Authority | March 2012           | August 2015                     | 75,270,000          |

##### Ongoing Construction Projects

During the year, we secured five construction projects. In November 2015, we won a contract for the construction of a viaduct from TPE to PIE (Westbound) and Upper Changi Road East from the Land Transport Authority (LTA), adding to the two contracts for the Walk2Ride Programme, won earlier in February 2015.

Two new contracts were awarded by JTC Corporation for the construction of roads, drains, sewers and soil improvement works at Tuas South Ave 7/14; and extension of road, drain and sewer works at Woodlands Avenue 4.

In addition to the above seven projects, a Public Utilities Board (PUB) contract for the improvement to Bukit Timah first diversion canal Contract 3 (Holland Green to Clementi Road) was awarded to a joint venture, Chye Joo - Or Kim Peow JV, in May 2015. The results of Chye Joo - Or Kim Peow JV are accounted for in the Group's consolidated financial statement using the equity method of accounting.

In 2015, we continued the execution of several on going construction projects, which had been secured since April 2014.

##### List of Ongoing Construction Projects

| No | Description of ongoing construction projects   | Customer                 | Date of Commencement | Expected date of Completion | Contract Value (\$) |
|----|--|--------------------------|----------------------|-----------------------------|---------------------|
| 1. | Widening of Tanah Merah Coast Road (ER458)   | Land Transport Authority | April 2014           | May 2017                    | 37,270,000          |
| 2. | Construction of Stamford diversion canal Contract 1 – Tanglin and Kim Seng (1140278) | Public Utilities Board   | June 2014            | December 2017               | 50,627,000          |

| No | Description of ongoing construction projects   | Customer                 | Date of Commencement | Expected date of Completion | Contract Value (\$) |
|----|--|--------------------------|----------------------|-----------------------------|---------------------|
| 3. | Walk2Ride Programme (ER442)  | Land Transport Authority | February 2015        | December 2018               | 60,963,500          |
| 4. | Walk2Ride Programme (ER443)  | Land Transport Authority | February 2015        | February 2019               | 82,963,500          |
| 5. | Construction of roads, drains, sewers and soil improvement works at Tuas South Avenue 7/14 (JTC C00302015) | JTC Corporation          | April 2015           | January 2017                | 20,377,000          |
| 6. | Extension of road, drain and sewer works at Woodlands Avenue 4 (JTC C08502015)                             | JTC Corporation          | October 2015         | June 2016                   | 12,727,000          |
| 7. | Construction of viaduct from TPE to PIE (Westbound) and Upper Changi Road East (ER449A)                    | Land Transport Authority | November 2015        | November 2019               | 94,627,000          |

| No | Description of ongoing construction project awarded to a joint venture                                 | Customer               | Date of Commencement | Expected date of Completion | Contract Value (\$) |
|----|--|------------------------|----------------------|-----------------------------|---------------------|
| 8. | Improvement to Bukit Timah first diversion canal Contract 3 (Holland Green to Clementi Road) (1150216) | Public Utilities Board | May 2015             | May 2018                    | 146,486,298         |

## II. MAINTENANCE

### Completed Maintenance Projects

We completed three maintenance projects during the year under review. These projects comprised mainly improvements to roadside drains at Lucky Heights Estate, Geylang Area, and Joo Chiat Areas. In addition to providing a steady and recurrent income stream for us, our maintenance segment is an important part of the services that we provide to our clients. This segment contributed \$25.7 million, which comprised 24.9 per cent of the Group's total revenue in 2015.

### List of Completed Maintenance Projects

| No | Description of ongoing construction projects   | Customer               | Date of Commencement | Expected date of Completion | Contract Value (\$) |
|----|--|------------------------|----------------------|-----------------------------|---------------------|
| 1. | Improvement to roadside drains at EUP Batch 7 Contract 2 – Lucky Heights Estate (Eastern Sector) (1130371) | Public Utilities Board | June 2013            | June 2015                   | 14,977,000          |
| 2. | Improvement to roadside drains IV Contract 4-3 (Geylang areas) (1130288)                                   | Public Utilities Board | June 2013            | July 2015                   | 13,557,000          |
| 3. | Improvement to roadside drains IV Contract 4-2 (Joo Chiat areas) (1130159)                                 | Public Utilities Board | April 2013           | October 2015                | 10,237,000          |

## OUR OPERATING AND FINANCIAL REVIEW

### Ongoing Maintenance Projects

During the year under review and the start of 2016, we won two new maintenance contracts. One was from the Land Transport Authority for road-related facilities, road structures and road safety schemes in East Sector; and the other which was awarded in February 2016 by the Public Utilities Board was for improvement to roadside drains V Contract 2 (Penjuru, Jalan Sampurna, Pioneer Sector and Jalan Buroh Areas).

Besides the new maintenance contracts, we are working on two other ongoing maintenance projects.

### List of Ongoing Maintenance Projects

| No | Description of ongoing construction projects   | Customer                 | Date of Commencement | Expected date of Completion    | Contract Value (\$) |
|----|--|--------------------------|----------------------|--------------------------------|---------------------|
| 1. | Term contract ad hoc repairs and upgrading of roads, road-related facilities and road structure (RP268C)   | Land Transport Authority | July 2013            | July 2015 (extended till 2016) | 18,277,000          |
| 2. | Improvement to roadside drains at Lorong 101-108 Changi Road/Langsat Road, Hillview Avenue, Thomson Road, Jalan Teliti and Balestier Road/Boon Teck Road areas (1140206) | Public Utilities Board   | April 2014           | October 2016                   | 19,227,000          |
| 3. | Road-related facilities, road structures and road safety schemes in East Sector (TR212)  | Land Transport Authority | May 2015             | May 2017                       | 19,727,000          |

| No | Newly awarded maintenance project in 2016   | Customer               | Date of Commencement | Expected date of Completion | Contract Value (\$) |
|----|---|------------------------|----------------------|-----------------------------|---------------------|
| 4. | Improvement to roadside drains V Contract 2 (Penjuru, Jalan Sampurna, Pioneer Sector and Jalan Buroh Areas (CW-DD/33150254) | Public Utilities Board | February 2016        | August 2018                 | 9,827,000           |



Chye Joo - Or Kim Peow JV is involved in the improvement to Bukit Timah first diversion canal from Holland Road to Clementi Road.



Improvement to roadside drains in Geylang is one of OKP's completed maintenance projects in 2015.

## FINANCIAL REVIEW

### INCOME STATEMENT

|  | FY2015<br>\$'000 | FY2014<br>\$'000 | Change<br>\$'000 | Change        |
|--|------------------|------------------|------------------|---------------|
| <b>Revenue</b>   |                  |                  |                  |               |
| – Construction   | 77,572           | 71,113           | 6,459            | 9.1%          |
| – Maintenance  | 25,718           | 38,363           | (12,645)         | (33.0%)       |
| <b>Total revenue</b>   | <b>103,290</b>   | <b>109,476</b>   | <b>(6,186)</b>   | <b>(5.7%)</b> |
| Cost of works  | (89,522)         | (100,716)        | 11,194           | (11.1%)       |
| <b>Gross profit</b>  | <b>13,768</b>    | <b>8,760</b>     | <b>5,008</b>     | <b>57.2%</b>  |
| Gross profit margin  | 13.3%            | 8.0%             |                  |               |
| Other income   | 2,800            | 1,573            | 1,227            | 78.0%         |
| Expenses   |                  |                  |                  |               |
| – Administrative   | (9,028)          | (8,170)          | (858)            | 10.5%         |
| – Finance  | (62)             | (54)             | (8)              | 14.8%         |
| – Share of results of associates and joint ventures (net of tax) | 128              | 91               | 37               | 40.7%         |
| <b>Profit before income tax</b>                                  | <b>7,606</b>     | <b>2,200</b>     | <b>5,406</b>     | <b>245.7%</b> |
| Income tax credit/(expense)                                      | (602)            | 339              | (941)            | 277.6%        |
| <b>Net profit</b>  | <b>7,004</b>     | <b>2,539</b>     | <b>4,465</b>     | <b>175.9%</b> |
| Net profit margin  | 6.8%             | 2.3%             |                  |               |
| <b>Profit attributable to:</b>                                   |                  |                  |                  |               |
| Equity holders of the Company                                    | 7,005            | 2,541            | 4,464            | 175.7%        |
| Non-controlling interests  | (1)              | (2)              | 1                | (50.0%)       |
|  | <b>7,004</b>     | <b>2,539</b>     | <b>4,465</b>     | <b>175.9%</b> |



OKP is involved in the construction of Stamford diversion canal – Tanglin and Kim Seng.



Alexander Canal is one of OKP's completed projects in 2015.



## OUR OPERATING AND FINANCIAL REVIEW

### INCOME STATEMENT

#### REVENUE

Our Group reported a 5.7 per cent or \$6.2 million decrease in revenue to \$103.3 million for the financial year ended 31 December 2015 (FY2015) as compared to \$109.5 million for the financial year ended 31 December 2014 (FY2014). The decrease was due mainly to a 33.0 per cent decrease in revenue from the maintenance segment to \$25.7 million, partially offset by a 9.1 per cent increase in revenue from the construction segment to \$77.6 million.

The decrease in revenue from the maintenance segment was largely attributable to the substantial completion of some existing maintenance projects in FY2015.

The increase in revenue from the construction segment was due mainly to the higher percentage of revenue recognised from a number of both existing and newly awarded construction projects as they progressed to a more active phase in FY2015.

The construction segment continued to be the major contributor to our Group's revenue. On a segmental basis, our core construction segment and maintenance segment accounted for 75.1 per cent (2014: 65.0 per cent) and 24.9 per cent (2014: 35.0 per cent) respectively of our Group's revenue for FY2015.

#### COST OF WORKS

Our cost of works decreased by 11.1 per cent or \$11.2 million from \$100.7 million for FY2014 to \$89.5 million for FY2015. The decrease in cost of works was due mainly to:

- (a) the decrease in labour costs due to a write-back of over-accrued labour costs made in FY2014 and a drop in headcount, which was partially offset by levy and salary adjustments during FY2015; and
- (b) the decrease in the cost of construction materials due to lesser utilisation of materials resulting from the change in construction designs coupled with the decreases in the prices of some raw materials,

which were partially offset by:

- (c) an increase in preliminary costs and overheads costs such as professional fees and depreciation of property, plant and machinery during FY2015. The increase in professional fees related to the engagement of consultants to design the construction methods of our on-going projects; and

- (d) the increase in sub-contracting costs which were mainly costs incurred for specialised works such as bored piling, asphalt works, mechanical and electrical works, soil-testing, landscaping and metalworks which are usually subcontracted to external parties.

#### GROSS PROFIT AND GROSS PROFIT MARGIN

Consequently, our gross profit for FY2015 increased by 57.2 per cent or \$5.0 million from \$8.8 million for FY2014 to \$13.8 million for FY2015.

Our gross profit margin increased from 8.0 per cent for FY2014 to 13.3 per cent for FY2015.

The higher gross profit margin for FY2015 was largely attributable to the completion of a few maintenance projects which had commanded better gross profit and the recognition of variation orders for a construction project.

#### OTHER INCOME

Other income increased by \$1.2 million or 78.0 per cent from \$1.6 million for FY2014 to \$2.8 million for FY2015. The increase was largely attributable to:

- (a) a write-back of non-trade payables of \$0.4 million. This write-back of non-trade payables was a one-time exercise, as a result of the acquisition of the remaining 45 per cent of the issued shares of a subsidiary corporation from the non-controlling shareholders during FY2015;
- (b) a technical management consultancy fee of \$0.9 million received in relation to a piling project in Jakarta, Indonesia during the fourth quarter ended 31 December 2015; and
- (c) an increase of \$0.3 million which was due mainly to the



OKP is involved in the widening of Tanah Merah Coast Road.

gain from foreign exchange resulting from the strengthening of the US dollar against the Singapore dollar and higher interest earned from higher bank deposits during FY2015,

which were partially offset by:

- (d) a decrease in interest income from other receivables of \$0.4 million resulting from the cessation of interest charged on the loan to an associated company with effect from 1 March 2015.

#### ADMINISTRATIVE EXPENSES

Administrative expenses increased by \$0.8 million or 10.5 per cent from \$8.2 million for FY2014 to \$9.0 million for FY2015. The increase was largely attributable to (1) higher directors' remuneration (including profit sharing) accrued as a result of the higher profit generated by the Group for FY2015, (2) an allowance for impairment of \$0.65 million made in relation to a loan extended to an associated company, CS Amber Development Pte Ltd, and (3) an increase in tender charges due to tenders for more complex projects. The increase was partially offset by lower professional fees as a result of the conclusion of a suit against a sub-contractor during FY2015.

#### FINANCE EXPENSES

Finance expenses increased marginally by \$8,000 due mainly to an increase in financial lease liabilities arising from additional plant and equipment acquired and partially offset by the repayment of finance leases during FY2015.

#### SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES (NET OF TAX)

|   | FY2015<br>\$'000 | FY2014<br>\$'000 |
|---|------------------|------------------|
| Share of profit of joint ventures <sup>(a)</sup>              | 48               | 315              |
| Share of profit/(loss) of associated companies <sup>(b)</sup> | 80               | (224)            |
|   | 128              | 91               |

##### (a) Share of profits of joint ventures

The share of profits of joint ventures decreased by \$0.3 million due mainly to the share of lower profits recognised by Forte Builder Pte Ltd (FBPL), which was partially offset by the recognition of profits for a construction project by Chye Joo - Or Kim Peow JV during FY2015. The building construction project undertaken by FBPL had been substantially completed during FY2014.

##### (b) Share of profits of associated companies

The increase in the share of profits of associated companies in FY2015 was due mainly to the share of higher profits recognised from the 25 per cent shareholding interest in United Singapore Builders Pte Ltd, which commenced the recognition of profits for a construction project during the second half of FY2015.



OKP is involved in extension of road, drain and sewer works at Woodlands Avenue 4.

#### PROFIT BEFORE INCOME TAX

Profit before income tax increased by \$5.4 million or 245.7 per cent from \$2.2 million for FY2014 to \$7.6 million for FY2015. The increase was due mainly to (1) the increase in gross profit of \$5.0 million, (2) the increase in other income of \$1.2 million and (3) the increase in the share of profit of associated companies and joint ventures of \$37,000. The increase was partially offset by the increase in administrative expenses of \$0.8 million, as explained above.

#### INCOME TAX EXPENSE

Income tax expense increased by \$0.9 million or 277.6 per cent from an income tax credit of \$0.3 million for FY2014 to an income tax expense of \$0.6 million for FY2015.

Due to the utilisation of capital allowances carried forward from prior years, the effective tax rate of 7.9 per cent for FY2015 was lower than the statutory tax rate of 17.0 per cent.

The income tax credit of \$0.3 million for FY2014 arose from (1) deductible temporary differences of \$0.3 million between the carrying value of assets and value of assets for tax purposes, (2) refund of the overprovision of tax amounting to \$57,000 and (3) an adjustment for over-provision of deferred tax of \$98,000. The income tax credit was partially offset by a provision for current tax of \$0.1 million made for FY2014.

#### NON-CONTROLLING INTERESTS

Non-controlling interests related to losses incurred by a subsidiary corporation for the period from 1 January 2015 to 31 May 2015.

#### NET PROFIT

Overall, our net profit increased by \$4.5 million or 175.9 per cent, from \$2.5 million for FY2014 to \$7.0 million for FY2015, following the increase in profit before income tax of \$5.4 million which was partially offset by the increase in income tax expense of \$0.9 million, as explained above.

Our net profit margin increased from 2.3 per cent for FY2014 to 6.8 per cent for FY2015.

# OUR OPERATING AND FINANCIAL REVIEW

## STATEMENT OF FINANCIAL POSITION

### CURRENT ASSETS

Current assets increased by \$9.3 million, from \$74.1 million as at 31 December 2014 to \$83.4 million as at 31 December 2015. The increase was attributable to:

- (a) an increase in cash and cash equivalents of \$20.7 million. This was due mainly to the cash generated from operations for FY2015 of \$20.3 million and cash generated from investing activities of \$2.1 million, which were partially offset by cash used in financing activities of \$1.7 million,

which was partially offset by:

- (b) a decrease in trade and other receivables of \$9.7 million due to settlement of billings by a few customers as at 31 December 2015; and
- (c) a decrease in construction contract work-in-progress of \$1.7 million due mainly to lower unbilled amounts expected to be collected from customers for contract work performed up till 31 December 2015 as compared to 31 December 2014.

### NON-CURRENT ASSETS

Non-current assets decreased by \$4.1 million, from \$58.5 million as at 31 December 2014 to \$54.4 million as at 31 December 2015. The decrease was attributable to:

- (a) a decrease in other receivables of \$4.2 million arising from (i) the repayment of loan of \$3.9 million and a notional fair value adjustment of \$0.3 million of the remaining loan to a joint venture, Lakehomes Pte Ltd and (ii) an allowance for impairment of \$0.65 million made in relation to a loan extended to an associated company, CS Amber Development Pte Ltd, during FY2015;
- (b) a decrease in property, plant and equipment of \$0.3 million resulting from the depreciation and disposal of property, plant and equipment, which were partially offset by the purchase of new plant and equipment during FY2015; and
- (c) a decrease in investments in joint ventures of \$0.3 million arising from a notional fair value adjustment of loan repaid by Lakehomes Pte Ltd during FY2015,

which were partially offset by:

- (d) an increase in investments in associated companies of \$0.6 million arising from the increase in cost of investment of \$0.5 million by way of capitalisation of advance to an associated company, United Singapore Builders Pte Ltd, and the share of profit of joint ventures during FY2015; and
- (e) the fair value gain of \$0.1 million arising from the revaluation of some of the investment properties in FY2015.

### CURRENT LIABILITIES

Current liabilities decreased by \$1.4 million, from \$32.2 million as at 31 December 2014 to \$30.8 million as at 31 December 2015. The decrease was due mainly to:

- (a) a decrease in trade and other payables of \$2.0 million due mainly to lower accrued operating expenses related to project costs and settlement of some major trade payables during FY2015,

which was partially offset by:

- (b) an increase in current income tax liabilities of \$0.4 million due to higher tax provision resulting from higher profits generated during FY2015; and
- (c) an increase in finance lease liabilities of \$0.2 million as a result of purchase of plant and machinery to support new projects during FY2015

### NON-CURRENT LIABILITIES

Non-current liabilities increased by \$0.2 million, from \$2.1 million as at 31 December 2014 to \$2.3 million as at 31 December 2015. The increase was due mainly to an increase in finance lease liabilities as a result of purchase of plant and machinery to support new projects during FY2015.

### SHAREHOLDERS' EQUITY

Shareholders' equity, comprising share capital, other reserves, retained profits and non-controlling interests, increased by \$6.4 million, from \$98.3 million as at 31 December 2014 to \$104.7 million as at 31 December 2015. The increase was largely attributable to:

- (a) the profit generated from operations of \$7.0 million in FY2015,

which was partially offset by:

- (b) the dividend payment to shareholders of \$0.6 million during FY2015.

## STATEMENT OF FINANCIAL POSITION

|  | FY2015<br>\$'000 | FY2014<br>\$'000 | Change<br>\$'000 | Change        |
|--|------------------|------------------|------------------|---------------|
| <b>Current assets</b>                    |                  |                  |                  |               |
| – Cash and cash equivalents              | 54,689           | 34,009           | 20,680           | 60.8%         |
| – Trade and other receivables            | 24,454           | 34,113           | (9,659)          | (28.3%)       |
| – Construction contract work-in-progress | 4,238            | 5,954            | (1,716)          | (28.8%)       |
| <b>Non-current assets</b>                |                  |                  |                  |               |
| – Investments in joint ventures          | 2,988            | 3,262            | (274)            | (8.4%)        |
| – Investments in associated companies    | 651              | 71               | 580              | 816.9%        |
| – Investment properties                  | 5,250            | 5,140            | 110              | 2.1%          |
| – Other receivables                      | 24,533           | 28,722           | (4,189)          | (14.6%)       |
| – Financial asset, available-for-sale    | 990              | 995              | (5)              | (0.5%)        |
| – Property, plant and equipment          | 18,206           | 18,487           | (281)            | (1.5%)        |
| – Intangible assets                      | 1,770            | 1,828            | (58)             | (3.2%)        |
| <b>Total assets</b>                      | <b>137,769</b>   | <b>132,581</b>   | <b>5,188</b>     | <b>3.9%</b>   |
| <b>Current liabilities</b>               |                  |                  |                  |               |
| – Trade and other payables               | (29,314)         | (31,309)         | (1,995)          | (6.4%)        |
| – Finance lease liabilities              | (950)            | (722)            | 228              | 31.6%         |
| – Current income tax liabilities         | (549)            | (171)            | 378              | 221.1%        |
| <b>Non-current liabilities</b>           |                  |                  |                  |               |
| – Finance lease liabilities              | (1,637)          | (1,513)          | 124              | 8.2%          |
| – Deferred income tax liabilities        | (631)            | (561)            | 70               | 12.5%         |
| <b>Total liabilities</b>                 | <b>(33,081)</b>  | <b>(34,276)</b>  | <b>(1,195)</b>   | <b>(3.5%)</b> |
| <b>Net assets</b>                        | <b>104,688</b>   | <b>98,305</b>    | <b>6,383</b>     | <b>6.5%</b>   |
| Total shareholders' equity               | 104,688          | 98,255           | 6,433            | 6.5%          |
| Minority interests                       | -                | 50               | (50)             | (100.0%)      |
| <b>Total equity</b>                      | <b>104,688</b>   | <b>98,305</b>    | <b>6,383</b>     | <b>6.5%</b>   |



OKP is involved in a term contract ad hoc repairs and upgrading of roads, road-related facilities and road structure.



OKP is involved in the construction of Stamford diversion canal – Tanglin and Kim Seng.

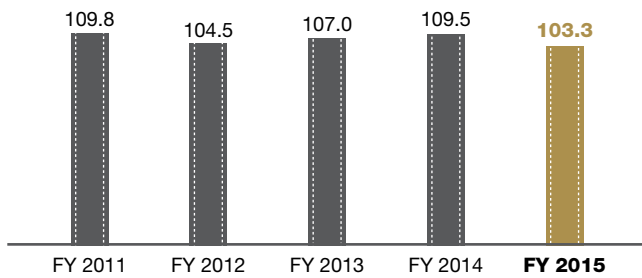




# OUR OPERATING AND FINANCIAL REVIEW

## REVENUE

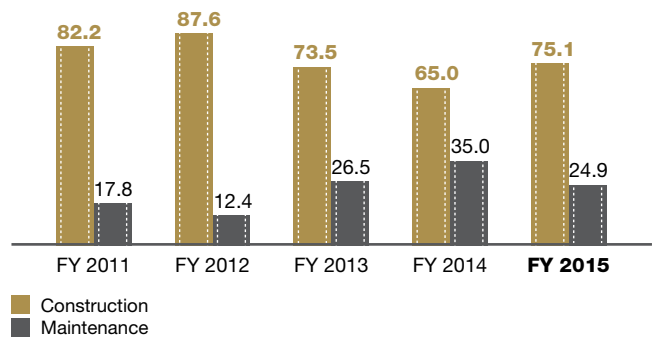
REVENUE  
\$'MILLION



Revenue in FY2015 decreased by 5.7 per cent to \$103.3 million compared to \$109.5 million in FY2014.

The substantial completion of some existing maintenance projects during FY2015 led to the maintenance segment recording a 33.0 per cent decline in revenue. However, this was partially offset by a 9.1 per cent increase in the revenue of the construction segment driven by the progression of existing and new projects into a more active phase in FY2015.

REVENUE BY BUSINESS SEGMENT  
PER CENT

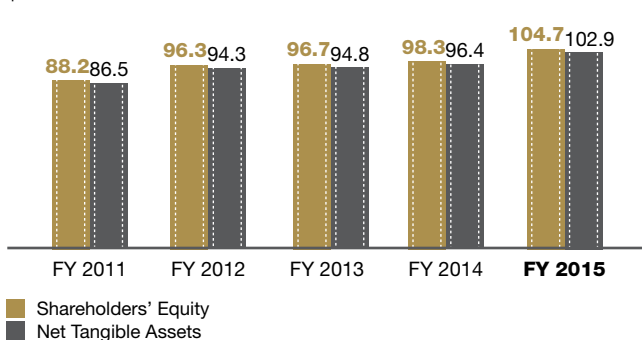


The construction segment continued to be the major contributor to our Group's revenue, contributing \$77.6 million in FY2015, an increase of 9.1 per cent from FY2014's figure. Revenue from the maintenance segment dropped by 33.0 per cent to \$25.7 million.

On a segmental basis, our construction segment accounted for 75.1 per cent of total revenue while the remaining 24.9 per cent came from the maintenance segment.

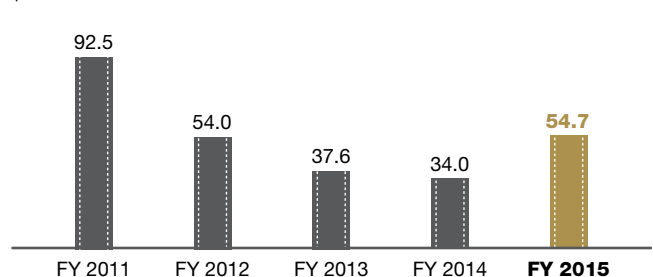
## BALANCE SHEET

SHAREHOLDERS' EQUITY AND NET TANGIBLE ASSETS  
\$'MILLION



Shareholders' equity increased from \$98.3 million in FY2014 to \$104.7 million in FY2015 and net tangible assets increased from \$96.4 million in FY2014 to \$102.9 million in FY2015.

CASH AND CASH EQUIVALENTS  
\$'MILLION

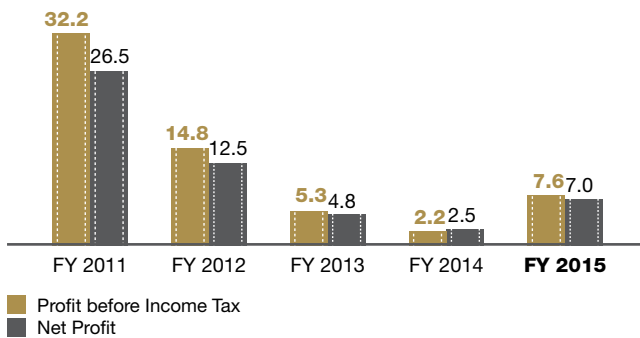


We continue to have a stable and healthy cash flow for FY2015. Our cash and cash equivalents increased from \$34.0 million as at 31 December 2014 to \$54.7 million as at 31 December 2015.



## PROFITABILITY

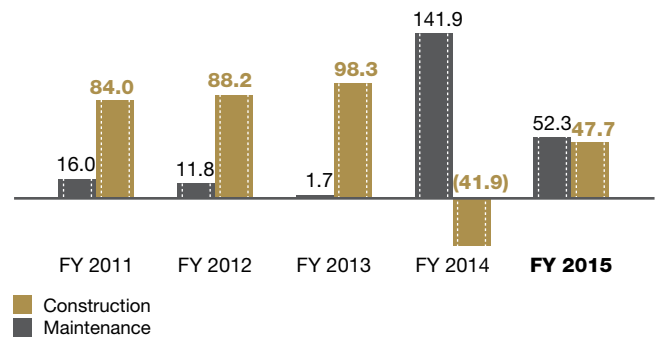
### PROFIT BEFORE INCOME TAX AND NET PROFIT \$'MILLION



Profit before income tax increased by \$5.4 million or 245.7 per cent from \$2.2 million in FY2014 to \$7.6 million in FY2015. The increase was due mainly to the increase in gross profit of \$5.0 million, the increase in other income of \$1.2 million, and the increase in the share of profit of associated companies and joint ventures of \$37,000. The increase was partially offset by the increase in administrative expenses of \$0.8 million.

Net profit increased by \$ 4.5 million or 175.9 per cent from \$2.5 million for FY2014 to \$7.0 million for FY2015, following the increase in profit before income tax of \$5.4 million. This increase was partially offset by the rise in income tax expense of \$0.9 million.

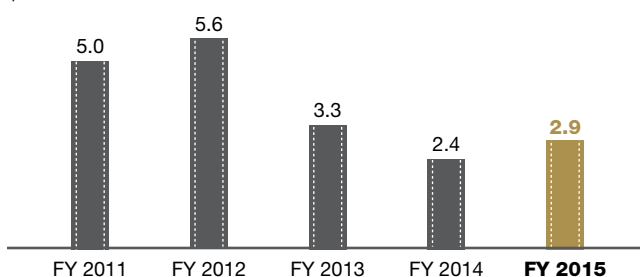
### PROFIT BY BUSINESS SEGMENT PER CENT



The improvement in the profit of the construction segment was due mainly to the recognition of variation orders for a construction project during FY2015. The loss in FY2014 arose from the additional costs that were incurred as a result of the extension of the completion periods giving rise to the actual cost exceeding internal projections and a change in the requirements of temporary works in some of the construction projects.

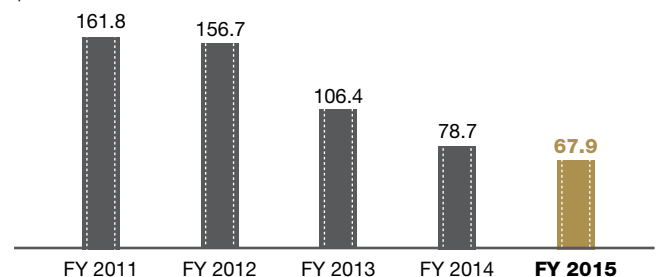
The profit of the maintenance segment was attributable to the higher contribution from a few maintenance projects which had commanded better gross profit coupled with our continuous stringent cost-saving efforts and better project management in both FY2015 and FY2014.

### CAPITAL EXPENDITURE \$'MILLION



Capital expenditure for FY2015 was mainly for the purchase of new plant and equipment to support existing and newly-awarded projects.

### MARKET CAPITALISATION \$'MILLION



The Group's market capitalisation stood at \$67.9 million as at 31 December 2015 compared to \$78.7 million as at 31 December 2014.

<sup>^</sup> Excluded building cost of \$3.3 million and land cost of \$2.1 million from "building under construction" in FY2012.

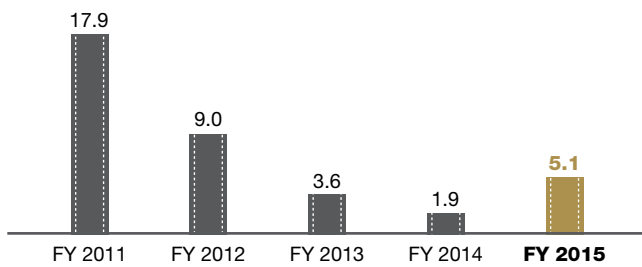




# OUR OPERATING AND FINANCIAL REVIEW

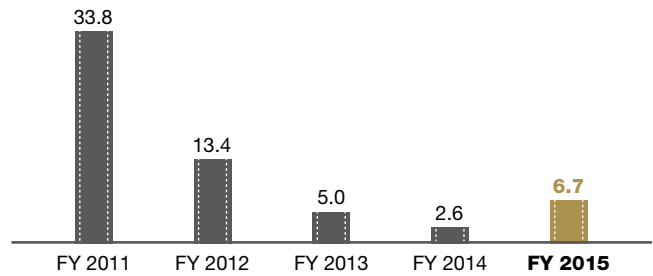
## FINANCIAL RATIOS – PROFITABILITY

### RETURN ON ASSETS PER CENT



Due to the higher net profit, return on assets increased from 1.9 per cent in FY2014 to 5.1 per cent in FY2015.

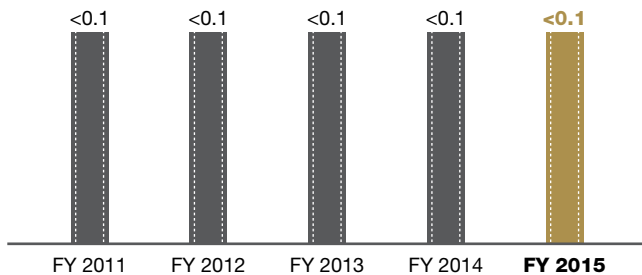
### RETURN ON EQUITY PER CENT



Due to the higher net profit, return on equity increased from 2.6 per cent in FY2014 to 6.7 per cent in FY2015.

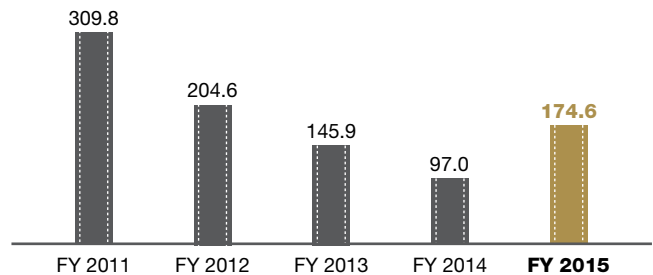
## FINANCIAL RATIOS – LEVERAGE

### TOTAL DEBT TO TOTAL EQUITY RATIO TIMES



Our debt to equity ratio has maintained at less than 0.1 times since FY2011.

### INTEREST COVER RATIO TIMES

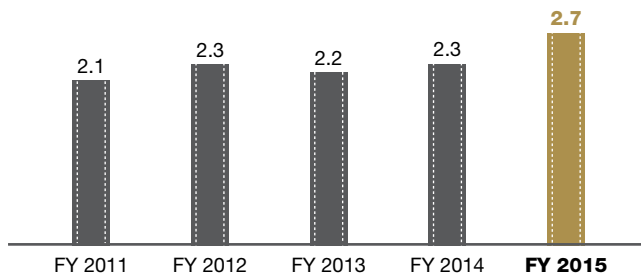


Our interest cover ratio has increased from 97.0 in FY2014 to 174.6 times in FY2015 due to higher profits reported in FY2015.



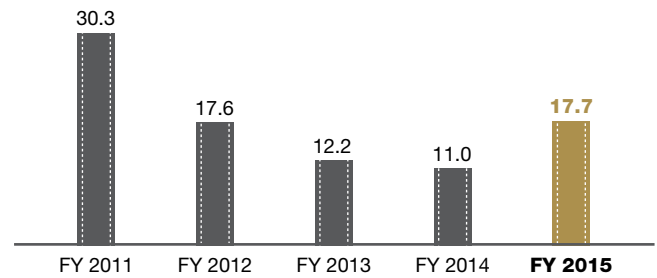
## FINANCIAL RATIOS – LIQUIDITY

### CURRENT RATIO TIMES



The Group continued to be strong in its short-term financial position as the current ratio stood at 2.7 for FY2015.

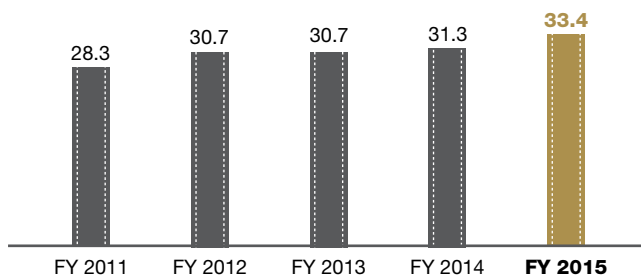
### CASH PER SHARE CENTS



With a higher cash and cash equivalent, cash per share increased from 11.0 cent per share as at 31 December 2014 to 17.7 cent per share as at 31 December 2015.

## FINANCIAL RATIOS: LIQUIDITY

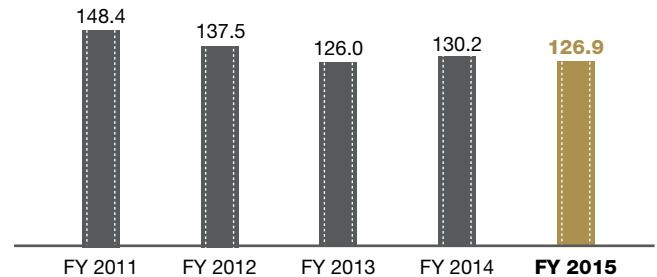
### NET TANGIBLE ASSETS PER SHARE CENTS



The Group's net tangible assets increased by 6.7 per cent from \$96.4 million as at 31 December 2014 to \$102.9 million as at 31 December 2015. Net tangible assets per share grew to 33.4 cents as at 31 December 2015 compared to 31.3 cents at 31 December 2014.

## FINANCIAL RATIO – PRODUCTIVITY

### REVENUE PER EMPLOYEE \$'000



Revenue per employee was \$126,900 in FY2015.





## GROUP'S QUARTERLY RESULTS

|  | First Quarter |           | Second Quarter |           | Third Quarter |           | Fourth Quarter |           | Full Year |
|--|---------------|-----------|----------------|-----------|---------------|-----------|----------------|-----------|-----------|
|  | \$'000        | % of Year | \$'000         | % of Year | \$'000        | % of Year | \$'000         | % of Year | \$'000    |
| <b>REVENUE</b>                             |               |           |                |           |               |           |                |           |           |
| 2015                                       | 27,399        | 26.5%     | 27,187         | 26.3%     | 24,208        | 23.4%     | 24,496         | 23.7%     | 103,290   |
| 2014                                       | 30,206        | 27.6%     | 27,458         | 25.1%     | 26,158        | 23.9%     | 25,654         | 23.4%     | 109,476   |
| <b>EBITDA</b>                              |               |           |                |           |               |           |                |           |           |
| 2015                                       | 2,038         | 18.8%     | 3,939          | 36.4%     | 1,870         | 17.3%     | 2,979          | 27.5%     | 10,826    |
| 2014                                       | 1,749         | 33.4%     | 1,165          | 22.2%     | 1,104         | 21.1%     | 1,222          | 23.3%     | 5,240     |
| <b>PROFIT BEFORE INCOME TAX</b>            |               |           |                |           |               |           |                |           |           |
| 2015                                       | 1,291         | 17.0%     | 3,128          | 41.2%     | 1,059         | 13.9%     | 2,128          | 27.9%     | 7,606     |
| 2014                                       | 1,039         | 47.2%     | 424            | 19.4%     | 338           | 15.4%     | 399            | 18.0%     | 2,200     |
| <b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b> |               |           |                |           |               |           |                |           |           |
| 2015                                       | 1,126         | 16.1%     | 2,948          | 42.2%     | 997           | 14.1%     | 1,934          | 27.6%     | 7,005     |
| 2014                                       | 1,066         | 42.0%     | 345            | 13.7%     | 281           | 11.0%     | 849            | 33.4%     | 2,541     |

All quarters in FY2015 reported lower revenue as compared to their corresponding quarters in FY2014.

The lower revenue was due mainly to the lower percentage of revenue recognised from several maintenance projects that were nearing completion during FY2015. This was partially offset by an increase in revenue of the construction segment which was driven by the progression of existing and new projects into a more active phase in FY2015.

Higher EBITDA were recorded in all quarters in FY2015 as compared to their corresponding quarters in FY2014.

All the quarters in FY2015 registered higher profit before income tax as compared to the corresponding quarters in FY2014. The increase in profit before income tax was due mainly to the completion of several maintenance projects which commanded higher margins, as well as the recognition of variation orders for a construction project in FY2015.

Better profit before income tax led to higher profit attributable to shareholders for all the quarters in FY2015.



OKP is involved in the widening of Tanah Merah Coast Road.



Alexander Canal is one of OKP's completed projects during the year.

# CORPORATE LIQUIDITY AND CASH RESOURCES

| Group's Consolidated Statement of Cash Flows                              | FY2015<br>\$'000 | FY2014<br>\$'000 | Restated*<br>FY2013<br>\$'000 | FY2012<br>\$'000 | FY2011<br>\$'000 |
|---|------------------|------------------|-------------------------------|------------------|------------------|
| Cash flows generated from/(used in) operating activities                  | 20,254           | (1,115)          | (1,467)                       | (7,040)          | 5,477            |
| Cash flows generated from/(used in) investing activities                  | 2,120            | (587)            | (8,750)                       | (24,884)         | (4,640)          |
| Cash flows generated used in financing activities                         | (1,795)          | (1,883)          | (5,185)                       | (6,560)          | (8,394)          |
| Net increase/(decrease) in cash and cash equivalents                      | 20,579           | (3,585)          | (15,402)                      | (38,484)         | (7,557)          |
| Cash and cash equivalents at the beginning of the financial year          | 28,929           | 32,514           | 47,916                        | 87,448           | 95,005           |
| <b>Cash and cash equivalents at the end of the financial year</b>         | <b>49,508</b>    | <b>28,929</b>    | <b>32,514</b>                 | <b>48,964</b>    | <b>87,448</b>    |
| Comprise of:  |                  |                  |                               |                  |                  |
| Cash at bank and on hand  | 20,605           | 14,330           | 13,963                        | 17,934           | 29,842           |
| Short-term bank deposits  | 34,084           | 19,679           | 23,614                        | 36,058           | 62,682           |
|   | 54,689           | 34,009           | 37,577                        | 53,992           | 92,524           |
| Short-term bank deposits pledged to banks                                 | (5,181)          | (5,080)          | (5,063)                       | (5,028)          | (5,076)          |
| <b>Cash and cash equivalents per consolidated statement of cash flows</b> | <b>49,508</b>    | <b>28,929</b>    | <b>32,514</b>                 | <b>48,964</b>    | <b>87,448</b>    |

\* Certain comparative figures have been restated due to the adoption of FRS111 (new) – “Joint Arrangements”.

We maintain a strong balance sheet and cash flow position which enable us to explore larger projects and investments, either here or overseas.

We reported net cash of \$20.3 million generated from operating activities in FY2015 as compared to net cash used in operating activities of \$1.1 million in FY2014. The \$21.4 million increase in net cash generated from operating activities was due mainly to:

- an increase in net cash generated from operating activities before working capital changes of \$6.6 million;
- an increase in net working capital infow of \$14.4 million;
- an increase in interest received of \$0.2 million; and
- a decrease in income tax paid of \$0.2 million during FY2015.

Net cash generated from investing activities of \$2.1 million was due to:

- repayment of loan by a joint venture, Lakehomes Pte Ltd, of \$3.9 million; and
- the proceeds received from the disposal of property, plant and equipment and interest income from the financial asset, available-for-sale of \$0.2 million, which were partially offset by:
- the purchase of new property, plant and equipment of \$1.5 million; and
- an investment in an associated company, United Singapore Builders Pte Ltd, for \$0.5 million, during FY2015.

Net cash of \$1.8 million used in financing activities in FY2015 included repayment of finance lease liabilities of \$1.0 million, interest payments of \$0.1 million and dividend payments to shareholders amounting to \$0.6 million.

Overall, free cash and cash equivalents stood at \$49.5 million as at 31 December 2015, an increase of \$20.6 million, from \$28.9 million as at 31 December 2014. This works out to cash of 16.1 cents per share as at 31 December 2015 as compared to 9.4 cents per share as at 31 December 2014 (based on 308,430,594 issued shares as at 31 December 2015 and 31 December 2014).

## CORPORATE LIQUIDITY AND CASH RESOURCES

| Net Indebtedness            | FY2015<br>\$'000 | FY2014<br>\$'000 | FY2013<br>\$'000 | FY2012<br>\$'000 | FY2011<br>\$'000 |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Due within one year:</b> |                  |                  |                  |                  |                  |
| Finance lease obligations   | 950              | 722              | 738              | 524              | 647              |
| <b>Due after one year:</b>  |                  |                  |                  |                  |                  |
| Finance lease obligations   | 1,637            | 1,513            | 2,004            | 930              | 482              |
| <b>Total debt</b>           | <b>2,587</b>     | <b>2,235</b>     | <b>2,742</b>     | <b>1,454</b>     | <b>1,129</b>     |

The finance lease liabilities are secured by way of corporate guarantees issued by the Company and charged over the property, plant and equipment under the finance leases.

The increase in debt amount from \$2.2 million as at FY2014 to \$2.6 million as at FY2015 as a result of purchase of plant and equipment to support new and existing projects in FY2015.



One of our new excavators purchased in 2015 to support our existing projects.



Our investment properties at 6 Tagore Drive B1-05/06 Singapore 787623.



Newly purchased silent piler being used at our worksite.

# VALUE ADDED STATEMENT

|  | FY2015<br>\$'000 | FY2014<br>\$'000 | Restated*<br>FY2013<br>\$'000 | FY2012<br>\$'000 | FY2011<br>\$'000 |            |               |            |               |            |
|--|------------------|------------------|-------------------------------|------------------|------------------|------------|---------------|------------|---------------|------------|
| Revenue  | 103,290          | 109,476          | 106,994                       | 104,482          | 109,817          |            |               |            |               |            |
| Less: Purchase of goods and services                                       | (64,658)         | (74,002)         | (66,243)                      | (54,917)         | (31,148)         |            |               |            |               |            |
| <b>Gross value added from operations</b>                                   | <b>38,632</b>    | <b>35,474</b>    | <b>40,751</b>                 | <b>49,565</b>    | <b>78,669</b>    |            |               |            |               |            |
| Other income   | 2,590            | 1,485            | 1,182                         | 2,681            | 1,017            |            |               |            |               |            |
| Gain/(loss) on foreign exchange  | 210              | 88               | 86                            | (190)            | 17               |            |               |            |               |            |
| Share of results of associates and joint ventures                          | 128              | 91               | 1,066                         | (10)             | –                |            |               |            |               |            |
|  | 2,928            | 1,664            | 2,334                         | 2,481            | 1,034            |            |               |            |               |            |
| Total value added available for distribution                               | <b>41,560</b>    | <b>37,138</b>    | <b>43,085</b>                 | <b>52,046</b>    | <b>79,703</b>    |            |               |            |               |            |
| <b>Distribution:</b>   |                  | %                | %                             | %                | %                |            |               |            |               |            |
| <b>To employees</b>  |                  |                  |                               |                  |                  |            |               |            |               |            |
| 1. Salaries and other staff costs  | 29,797           | 72               | 30,867                        | 83               | 29,743           | 69         | 27,449        | 53         | 29,103        | 37         |
| <b>To/(from) government</b>  |                  |                  |                               |                  |                  |            |               |            |               |            |
| 1. Corporate and property taxes  | 711              | 2                | (233)                         | (1)              | 616              | 2          | 2,314         | 4          | 5,699         | 7          |
| <b>To providers of capital</b>   |                  |                  |                               |                  |                  |            |               |            |               |            |
| 1. Finance costs   | 62               |                  | 54                            |                  | 59               |            | 89            |            | 114           |            |
| 2. Dividends to shareholders   | 616              |                  | 925                           |                  | 4,626            |            | 6,115         |            | 15,221        |            |
|  | <b>678</b>       | <b>2</b>         | <b>979</b>                    | <b>3</b>         | <b>4,685</b>     | <b>11</b>  | <b>6,204</b>  | <b>12</b>  | <b>15,335</b> | <b>19</b>  |
| <b>Balance retained in the business:</b>                                   |                  |                  |                               |                  |                  |            |               |            |               |            |
| 1. Depreciation and amortisation   | 3,158            |                  | 2,986                         |                  | 3,232            |            | 3,354         |            | 3,056         |            |
| 2. Unappropriated profits  | 7,005            |                  | 2,541                         |                  | 4,812            |            | 12,364        |            | 26,559        |            |
| 3. Minority interests  | (1)              |                  | (2)                           |                  | (3)              |            | 160           |            | (49)          |            |
|  | <b>10,162</b>    | <b>23</b>        | <b>5,525</b>                  | <b>15</b>        | <b>8,041</b>     | <b>18</b>  | <b>15,878</b> | <b>30</b>  | <b>29,566</b> | <b>37</b>  |
| <b>Non-production costs and income:</b>                                    |                  |                  |                               |                  |                  |            |               |            |               |            |
| 1. Allowance for impairment of receivables (non-trade)                     | 650              | 2                | –                             | –                | –                | –          | 1,474         | 3          | –             | –          |
| 2. Non-trade/trade creditors written off                                   | (438)            | (1)              | –                             | –                | –                | –          | (1,273)       | (2)        | –             | –          |
| Total distribution   | <b>41,560</b>    | <b>100</b>       | <b>37,138</b>                 | <b>100</b>       | <b>43,085</b>    | <b>100</b> | <b>52,046</b> | <b>100</b> | <b>79,703</b> | <b>100</b> |
| <b>Productivity Analysis</b>   |                  |                  |                               |                  |                  |            |               |            |               |            |
| Number of employees  | 814              | 841              | 849                           | 760              | 740              |            |               |            |               |            |
| Value added per employee (\$'000)  | 51               | 44               | 51                            | 68               | 108              |            |               |            |               |            |
| Value added per dollar of employment cost                                  | 1.4              | 1.2              | 1.4                           | 1.9              | 2.7              |            |               |            |               |            |
| Value added per dollar of investment in fixed assets (before depreciation) | 0.9              | 0.8              | 1.0                           | 1.3              | 2.0              |            |               |            |               |            |
| Value added per dollar of revenue  | 0.4              | 0.3              | 0.4                           | 0.5              | 0.7              |            |               |            |               |            |

\* Certain comparative figures have been restated due to the adoption of FRS111 (new) – “Joint Arrangements”.

Total value-added created by the Group in FY2015 amounted to \$41.6 million (2014: \$37.1 million), due to higher profits reported in FY2015.

In FY2015, about \$29.8 million or 72.0 per cent of the value-added was paid to employees in the form of salaries and wages. \$0.7 million or 2.0 per cent was paid to the government in the form of corporate and property taxes while \$0.7 million or 2.0 per cent was paid as dividends and interests to financial institutions. Balance of \$10.2 million was retained by the Group for its future growth.

In FY2014, about \$30.9 million or 83.0 per cent of the value-added was paid to employees in the form of salaries and wages. \$0.2 million or 1.0 per cent was received from the government in the form of corporate and property taxes rebates while \$1.0 million or 3.0 per cent was paid as dividends and interests to financial institutions. Balance of \$5.5 million was retained by the Group for its future growth.





**ESTABLISHING  
STRONGER  
FOUNDATIONS**

• • •

**WIDENING  
OUR PRESENCE**

• • •

Building on our established track record and vast expertise, we are establishing stronger foundations as part of our strategic growth to widen our presence across the region.



# SUSTAINABILITY REPORT

Since 2010, OKP has published a sustainability report which discusses strengthening corporate governance, empowering people and the community, and nurturing the environment.

This is the first year that OKP is presenting a sustainability report based on the Global Reporting Initiative (GRI) - Core Level G4 Sustainability Reporting Guidelines. The report is for the financial year 1 January 2015 to 31 December 2015. The current report is not subject to any external assurance.

## STRENGTHENING GOVERNANCE

To fulfil its vision to be the leading transport infrastructure and civil engineering company in Singapore, the region and beyond, OKP seeks to strengthen its corporate governance, empower its people and the community, and nurture the environment.

To improve our corporate governance, we are committed to and emphasise the principles of sustainability reporting. At OKP, we aim to improve our performance in financial reporting as well as reporting on non-financial areas such as corporate governance, and social and environmental responsibilities.

To achieve this aim, we advocate an open and transparent approach in providing relevant and up-to-date information on our business performance to all our stakeholders. We make it a priority to share appropriate information relating to our business, human resources, environmental impact, corporate social responsibilities and corporate governance so as to keep the Group's stakeholders well informed.

The Group's goals are to sustain and build up its business by establishing stronger foundations, strengthening its capabilities, empowering our people and nurturing the community and the environment. In this way, OKP adds value for all its stakeholders. As a public company listed on the Singapore Exchange, OKP aims to sustain its growth, and operate its business ethically and profitably, with a strong commitment to maintaining high standards in corporate governance and judicious risk management. At OKP, we believe in establishing a sustainable business that brings long-term value to shareholders and long-term growth for the Group.

As a responsible company, we have an unwavering focus on delivering strong corporate governance. One of the ways we do this is by benchmarking against industry best practices, and taking steps to ensure we conduct our business in full compliance with local laws and regulations.

## EMPOWERING PEOPLE AND THE COMMUNITY

At OKP, we also aim to empower our people and the community. The Group aims to be a responsible and considerate employer to its 814 employees by nurturing and training its talent pool to their fullest potential, and enabling them so that they can excel and enjoy meaningful and rewarding careers within OKP. We are committed to providing them with a safe working environment, training and career advancement and a fair and equitable system that rewards their productivity and performance. The Group does not have any collective bargaining agreement for its employees.

As a responsible and good corporate citizen, we strive to empower people in the community. The Group believes it should help the unfortunate and less privileged in our society through its donations, sponsorships and voluntary work. With this approach, OKP also enhances its reputation as a good corporate citizen, which takes its corporate social responsibilities seriously.

## NURTURING THE ENVIRONMENT

At OKP, we are also aware of our responsibility for nurturing the environment and mitigating negative environmental consequences at our worksites and the environment where we operate. We have developed a culture of safety by putting in place safety and environmental awareness programmes to ensure the health and safety of our workers and others who visit or work at our worksites and premises. We also monitor our energy, waste and water management at our work places to ensure that we use our resources efficiently and in a meaningful and responsible way.

Since 2006, the Group has won 15 safety awards in recognition of its outstanding performances in occupational safety and health management and accident-free environment. In 2015, OKP won three safety awards as follows:

- a Certificate of Recognition from the Land Transport Authority (LTA) at its Annual Safety Award 2015 for "Category 2 (Civil contract value not exceeding \$120 million)" for companies that have achieved more than 250,000 accident-free man hours for Contract ER391;
- a Certificate of Participation from the LTA at its Annual Safety Award 2015 for the "Major Category (Civil contract value between \$20 million and \$50 million)" for Contract ER391; and
- winner of 2015 Public Utilities Board Safety Achievement Award (Construction).





OKP team pledging their safety commitment.

The Group has also been doing its part in promoting a green environment and has been acknowledged for this environment-friendly role. Since 2012, OKP has won five awards for being a green and gracious builder. In 2015, these awards were as follows:

- Wholly-owned subsidiary Or Kim Peow Contractors (Pte) Ltd has been conferred the Building and Construction Authority (BCA) Green and Gracious Builder (Merit) Award; and

- Wholly-owned subsidiary Eng Lam Contractors Co. (Pte) Ltd has been conferred the BCA Green and Gracious Builder (Merit) Award.

We adopt a holistic approach to understanding and managing the environmental impact of our activities and other risks in our supply chain.

Below are our key environmental performance indicators:

|                               | 2015    | No of sites | 2014      | No of sites | 2013      | No of sites |
|-------------------------------|---------|-------------|-----------|-------------|-----------|-------------|
| <b>Electricity use (k/Wh)</b> | 868,337 | 16          | 1,099,965 | 15          | 1,171,559 | 12          |
| <b>Water use (cu/M)</b>       | 32,769  | 16          | 25,929    | 15          | 22,707    | 12          |

## STAKEHOLDER ENGAGEMENT

At OKP, we want to develop and provide sustainable value to our stakeholders. To achieve this, we aim to offer reliable products and services, ensure that our customers are satisfied,

be an attractive employer, monitor our supply chain, and nurture our environment and community.

| Stakeholders                  | OKP's Commitment   |
|-------------------------------|--|
| <b>Clients/customers</b>      | Provide clients/customers with excellent service on time, on budget and with emphasis on high standards of quality, reliability and safety.  |
| <b>Employees</b>              | Develop our employees to their full potential by offering training and staff development, a fair and equitable system and a safe working environment.                                  |
| <b>Suppliers</b>              | Cultivate and strengthen relationships with our suppliers, and monitor supply chain in order to achieve project excellence and the highest environmental, health and safety standards. |
| <b>Shareholders/Investors</b> | Maximise shareholder return on investment through solid fundamentals and strategies while maintaining excellence in our products and services.   |
| <b>Community</b>              | Contribute to the community by supporting various charitable causes and organisations and minimise our impact on the environment as a good corporate citizen.                          |





# SUSTAINABILITY REPORT

We are committed to listening to our stakeholders and we welcome feedback on this report. For enquiries, please contact the CSR Department at okp-csr@okph.com.

In summary, OKP aims to sustain its business growth and profitability by its commitment to strong corporate governance prudent financial management and efficient operation; and

empower its employees by its initiatives to nurture and reward them for good performances. We also aim to create a positive impact in the community by fostering greater corporate social responsibility, and to cultivate a greener environment by implementing environment-friendly measures in all our undertakings.

## GRI CONTENT INDEX

### GENERAL STANDARD DISCLOSURES

| Item  | Description  | Page Reference | Annual Report Section                    |
|---|--|----------------|--|
| <b>Strategy &amp; Analysis</b>                    |  |                |  |
| G4-1  | Statement from the most senior decision-maker of the organisation                                    | 4 - 7          | Chairman's Statement                     |
| <b>Organisation Profile</b>                       |  |                |  |
| G4-3  | Name of the organisation   | Cover page     | Annual Report Cover page                 |
| G4-4  | Primary brands, products, and/or services  | 18 - 19        | Our Corporate Profile                    |
| G4-5  | Location of the headquarters   | 37             | Our Corporate Information                |
| G4-6  | Name of countries where the organisation operates  | 36             | Our Group Structure                      |
| G4-7  | Nature of ownership and legal form   | 193 - 194      | Statistics of Shareholdings              |
| G4-8  | Markets served   | 40 - 42        | Our Operating Review                     |
| G4-9  | Scale of the organisation  | 40 - 42        | Our Operating Review                     |
| G4-10   | Size of workforce  | 62 - 65        | Our People                               |
| G4-11   | Employees covered by collective bargaining agreements  | 62 - 65        | Our People                               |
| G4-12   | Organisation's supply chain  | 58 - 61        | Sustainability Report                    |
| G4-13   | Change in organisation's size, structure, ownership or its supply chain                              | 4 - 7          | Chairman's Statement                     |
| G4-14   | How precautionary approach is addressed  | 105 - 115      | Risk Assessment and Management           |
| G4-15   | Externally developed charters, principles, or other initiatives to which the organisation subscribes | 66 - 67        | Corporate Social Responsibility          |
| G4-16   | Membership of associations and advocacy organisations  | 66 - 67        | Corporate Social Responsibility          |
| <b>Identified material aspects and boundaries</b> |  |                |  |
| G4-17   | Entities included in the organisation's consolidated financial statements                            | 143 - 151      | Financial Statements - Notes to Accounts |
| G4-18   | Process for defining the report content and the aspect boundaries                                    | 105 - 115      | Risk Assessment and Management           |
| G4-19   | List of identified material aspects  | 105 - 115      | Risk Assessment and Management           |
| G4-20   | Aspect boundary of material aspect within the organisation   | 105 - 115      | Risk Assessment and Management           |
| G4-21   | Aspect boundary of material aspect outside the organisation  | 105 - 115      | Risk Assessment and Management           |
| G4-22   | Restatement of information   | No restatement |  |
| G4-23   | Significant change from previous reporting periods in the scope and aspect boundaries                | 58 - 61        | Sustainability Report                    |

| Item                          | Description  | Page Reference | Annual Report Section                        |
|-------------------------------|--|----------------|--|
| <b>Stakeholder engagement</b> |  |                |  |
| G4-24                         | List of stakeholder groups engaged   | 58 - 61        | Sustainability Report                        |
| G4-25                         | Basis for identification and selection of stakeholders with whom to engage | 58 - 61        | Sustainability Report                        |
| G4-26                         | Approach to stakeholder's engagement                                       | 58 - 61        | Sustainability Report                        |
| G4-27                         | Key topics and concerns raised through stakeholder engagement              | 8 - 11         | In Conversation with Group Managing Director |
| <b>Report Profile</b>         |  |                |  |
| G4-28                         | Reporting period   | 58 - 61        | Sustainability Report                        |
| G4-29                         | Date of most recent previous report  | 58 - 61        | Sustainability Report                        |
| G4-30                         | Reporting cycle  | 58 - 61        | Sustainability Report                        |
| G4-31                         | Contact point for questions regarding the report or its contents           | 58 - 61        | Sustainability Report                        |
| G4-32                         | GRI content index  | 58 - 61        | Sustainability Report                        |
| G4-33                         | External assurance   | 58 - 61        | Sustainability Report                        |
| <b>Governance</b>             |  |                |  |
| G4-34                         | Governance structure   | 81 - 104       | Corporate Governance Report                  |
| <b>Ethics and Integrity</b>   |  |                |  |
| G4-56                         | Values, principles, ethics and standards                                   | 2 - 3          | Our vision, mission and guiding principles   |



Our Executive Director, Mr Oh Enc Nam (back row, 4th from left) at the 2015 PUB Safety Achievement Award event.



## OUR PEOPLE



Mr Chen Kam Mun receiving a mystery lucky draw prize of cash \$1,000 from Executive Director, Mr Oh Enc Nam at OKP Annual Dinner.

The Group recognises that our people are one of our greatest assets as they play a key role in helping OKP to establish stronger foundations and engineer a promising and sustainable future. The strong commitment and valuable contributions of our people have strengthened OKP's vision to be one of the leading players in the transport infrastructure and civil engineering industry in Singapore, the region and beyond.

At OKP, we acknowledge that our employees' passion in their work and industrious efforts have played and will continue to play a significant role in helping OKP to build new capabilities and enhance its competitiveness. As such, we focus on OKP's guiding principle to our employees, which is our commitment to providing a safe working environment, training and advancement in their respective fields and a fair and equitable system that rewards their productivity.

To achieve our business goals and enjoy sustainable revenues and profits, we made it our commitment to attract, nurture and develop a capable team of employees, who can plan, manage and execute the various projects professionally and competently. The Group believes that it is important



Madam Yeo Guak Eng (right) receiving her 35-year of long service award from Group Chairman, Mr Or Kim Peow (centre) and Group Managing Director, Mr Or Toh Wat (left) at OKP Annual Dinner.

for OKP to develop a competent and solid team, who can meet the business challenges of today and in the future. In order to attract and recruit the right team of people with the right skills and relevant experience to plan and implement our business plans, we have instituted a human resources strategy and programme for the whole group. We identify with our people's aspirations, motivate them to perform to the best of their abilities and enable them to progress through the ranks. The Group also continuously seeks to improve its human resources and people

development practices in order to attract and retain the best people.

The Group's workforce comprises corporate executives, administrative support staff, project managers, civil engineers, site supervisors and general construction workers. Our people also hail from diverse backgrounds and nationalities including China, Taiwan, Malaysia, India, Myanmar, Philippines, Thailand and Bangladesh. With such varied and diverse backgrounds, OKP's management has to inculcate common goals and core values in order to build a



Under OKP's specialised overseas project immersion programme, nine employees visited a precast yard and a project site in Ipoh, Malaysia in 2015.



capable and efficient team. An effective recruitment, training and development process is therefore vital to ensure the long-term success and financial stability of OKP.

### **ORIENTATING NEW STAFF**

To enable new staff to adapt easily to the Group's culture and environment, OKP has implemented a tried-and-tested staff orientation programme, which helps them to understand the Group's policies as well as ethical and safety standards. Our staff orientation policy seeks to integrate newcomers by making them aware of the Group's core values and benchmarks so that they can fit in easily and speedily to the Group's ways of working internally and externally with various stakeholders.

By following this approach, new employees can start to make immediate contributions when joining the Group. Our past experience has made us realise that a good orientation programme also contributes greatly to staff retention, as we have observed that new hires usually decide to remain with a company within the first six months of their employment.

### **DEVELOPING OUR PEOPLE**

At OKP, we are committed to attracting, nurturing and retaining capable and experienced people to steer the Group ahead. Indeed, we seek to develop our people to their fullest potential so that the team can help OKP to achieve sustainable and steady growth now and in the future. We place a strong emphasis on employee learning and training. As such, we are committed to equipping them with the required knowledge, skills and competencies so as to meet the demands of their jobs efficiently. Over the years, we have invested substantially in developing our people. We do this by organising relevant training and development courses to continuously equip them with key competencies and skills so that they can perform effectively in their current job functions. Training is provided to employees on the basis of job requirement and merit to further enhance their technical and functional competencies for now and also to

meet the future requirements of OKP's business.

At OKP, we seek to develop our people's talents to their fullest potential so that they can grow their careers within the company. Thus, our emphasis is to provide our staff with various development opportunities for professional and personal growth as part of OKP's team. In this way, they can find job satisfaction and enjoy the advantages of working in a progressive company, which they can take great pride in. Our human resources management policy lays out a distinct career path for each individual employee, a competency framework for each job level, and a performance system linking individual contributions, business objectives and rewards to performance.

### **PROVIDING SPONSORSHIPS AND SCHOLARSHIPS**

To secure the right talent for the right job for the future, the Group has been offering educational scholarships and sponsorships to students, who may be OKP's potential hires in the future. In recent years, the Group has participated in the Building and Construction Authority (BCA) – Industry Environment Undergraduate Sponsorship/Scholarship programme, which has been fruitful in bringing young and fresh talents into the company.

In 2015, OKP sponsored five students (four at Nanyang Technological University (NTU) and one National University of Singapore (NUS), and provided a scholarship for one

student at NTU pursuing a Bachelor of Engineering (Civil Engineering).

In 2014, OKP sponsored three students (one at NUS and two at NTU) and awarded a scholarship to one student at NUS. One of these OKP-sponsored undergraduates had her industrial attachment with the Group in May 2014 for a duration of 10 weeks. The four sponsored students (two each from NTU and NUS) had successfully completed their Bachelor of Engineering (Civil Engineering) degrees and joined OKP as full-time staff in July and August 2015.

In 2012, OKP sponsored two project engineers for a Master of Science (Civil Engineering) degree with specialisation in infrastructure project development at NUS. In 2014/2015, these two project engineers successfully completed their Master programme, and their newly acquired knowledge added to the talent pool within the Group.

Under OKP's overseas industry immersion programme, the Group has been sending employees overseas to pick up new skills and knowledge. In 2015, the Group sent promising employees to Ipoh, Malaysia and Jakarta, Indonesia. The specialised overseas project immersion programme in Ipoh in July 2015 involved a visit by nine employees to a precast yard and a project site, which exhibited the precast segment launching process.

The programme in Jakarta in November 2015 involved sending batches of at least five senior and project engineers for one week to visit a project site and supervise the work for a 60-storey



*Under OKP's overseas industry immersion programme, one group of engineers visited a project site in Jakarta, Indonesia in 2015.*



## OUR PEOPLE

integrated development. To date, 20 engineers have gone on such visits. Through this immersion programme, our engineers will acquire a better understanding of the method of piling work for big diameter and long depth of bored piles, which will be beneficial knowledge when OKP tenders for more complex projects with big diameter bored piling works and diaphragm wall works.

The Group's senior management also strived to upgrade their leadership capabilities. Group Managing Director, Mr Or Toh Wat attended the Stanford Virtual Design and Construction Leadership Programme from 10 to 14 November 2015 in the United States. This leadership course was organised by the Stanford University's Centre for Integrated Facility Engineering (CIFE) and BCA.

### ENSURING OCCUPATIONAL HEALTH AND SAFETY

#### INCIDENTS OF INDUSTRIAL INJURIES

Our guiding principle is to provide a safe working environment for our staff at the construction sites. In order to

ensure first-rate safety standards, the Group promotes work safety and good environmental awareness at all times and at all its construction sites. We emphasise and practise good safety management throughout the various stages of the projects, starting at the project management stage, and during the construction and site management stage till the successful completion of the projects.

For example, compulsory safety induction is conducted to educate new staff on the importance of personal protective equipment and risk management procedures.

In promoting and maintaining a healthy, safe and secure working environment for our employees and workers, OKP does not just focus on its staff. We recognise that our subcontractors and various partners are just as important as they also play a vital role in maintaining good occupational health and safety. We work very closely with them to ensure that they share the same commitment and work together to strengthen safety and environmental standards. A safe job site not only reduces unnecessary risks and exposure in a project, it also boosts staff morale and increases client satisfaction



Our Senior Project Manager, Madam Tan Lai Har receiving an OKP sponsorship from Mr Quek See Tiat, chairman of the Building and Construction Authority at the BCA -Industry Built Environment Scholarships Award Ceremony in 2015.

levels. It is OKP's policy that all incidents are monitored and reported immediately, and not just those that result in actual injuries. We emphasise this procedure to all our supervisory staff and general workers so that we can learn from and rectify past mistakes, and achieve our aim of zero injuries.

Since 2006, OKP has been receiving safety awards for maintaining a high standard of health and safety awareness at its various worksites.

In 2015, the Group received three safety awards. It received a Certificate of Recognition for "Category 2 (Civil contract value not exceeding \$120 million)" for companies that have achieved more than 250,000 accident-free man hours for Contract ER391; and a Certificate of Participation for the "Major Category (Civil contract value between \$20 million and \$50 million)" for Contract ER391, both from the Land Transport Authority (LTA) at its Annual Safety Award 2015. In addition, it was the winner of 2015 Public Utilities Board Safety Achievement Award (Construction).

#### ABSENTEEISM

One of the aims of the Group is to prevent and deter absence for all employees. Absenteeism from work affects direct and indirect costs. It also indicates a low level of job satisfaction and a lack of commitment to OKP. Moreover, absenteeism also disrupts operations at the office premises and construction sites. To achieve a low level of staff absenteeism, the Group aims to provide a positive working environment



In 2015, Group Managing Director, Mr Or Toh Wat (left) attended the Stanford Virtual Design and Construction Leadership Programme, which was organised by the Stanford University's Centre for Integrated Facility Engineering and Building Construction Authority.

and support its employees' performance at work with effective guidance and proper supervision.

### **BEING PEOPLE-CENTRIC**

To fulfil our mission to be the first and preferred civil engineering contractor for various industries in Singapore and beyond, and maintain the Group's position as a market leader in the public sector construction industry, we need to be a people-centric company. This is because we are dependent on the effective performance and dedication of all staff to achieve our business goals and attain financial profitability.

With the aim of becoming an excellent people-centric company, we have been improving our organisational effectiveness and simplifying our communication channels across all levels and between the various business units. At OKP, we have a review-and-feedback process in place, which has proven to be useful in understanding our employees' concerns and addressing their issues. Our priority is to hold regular dialogue sessions so that management and supervisory staff can work together as a team with the administrative and support staff, and general construction workers in terms of planning and executing projects.

As a people-oriented company, we have many welfare benefits such as our Annual Dinner, Chinese New Year lunch and regular luncheons. Our employees enjoy other benefits such as medical benefits, transport allowance, subscriptions to relevant societies and various forms of insurance such as personal accident insurance and travel insurance. The Group not only provides maternity leave but also paternity leave for our staff.

| Functional                                    | FY 2015     | FY2014      | FY2013      |
|---|-------------|-------------|-------------|
| <b>Management &amp; Supervisory (M&amp;S)</b> |             |             |             |
| Local   | 7%          | 6%          | 5%          |
| Foreign                                       | 2%          | 2%          | 1%          |
| <b>Finance &amp; Administration (F&amp;A)</b> |             |             |             |
| Local   | 1%          | 1%          | 1%          |
| Foreign                                       | 1%          | 1%          | 1%          |
| <b>Site Operations (S&amp;O)</b>              |             |             |             |
| Local   | 7%          | 7%          | 7%          |
| Foreign                                       | 82%         | 83%         | 85%         |
|   | <b>100%</b> | <b>100%</b> | <b>100%</b> |

| Years of Service     | FY 2015     | FY2014      | FY2013      |
|----------------------|-------------|-------------|-------------|
| More than 15 years   | 7%          | 7%          | 5%          |
| 10 years to 14 years | 14%         | 13%         | 6%          |
| 6 years to 9 years   | 21%         | 16%         | 19%         |
| 3 years to 5 years   | 24%         | 27%         | 31%         |
| Less than 3 years    | 34%         | 37%         | 39%         |
|                      | <b>100%</b> | <b>100%</b> | <b>100%</b> |

| Educational Qualification      | FY 2015     | FY2014      | FY2013      |
|--------------------------------|-------------|-------------|-------------|
| Degree & Above                 | 9%          | 8%          | 8%          |
| Diploma & Equivalent           | 4%          | 4%          | 4%          |
| "O" & "A" Level & Equivalent   | 2%          | 2%          | 3%          |
| Trade Certificate & Equivalent | 23%         | 23%         | 23%         |
| Secondary Level & Lower        | 62%         | 63%         | 62%         |
|                                | <b>100%</b> | <b>100%</b> | <b>100%</b> |

| Gender | FY 2015     | FY2014      | FY2013      |
|--------|-------------|-------------|-------------|
| Male   | 94%         | 95%         | 95%         |
| Female | 6%          | 5%          | 5%          |
|        | <b>100%</b> | <b>100%</b> | <b>100%</b> |

| Age                | FY 2015     | FY2014      | FY2013      |
|--------------------|-------------|-------------|-------------|
| 65 years and above | 1%          | 1%          | 1%          |
| 55 to 64 years     | 7%          | 6%          | 6%          |
| 45 to 54 years     | 23%         | 23%         | 20%         |
| 35 to 44 years     | 29%         | 30%         | 32%         |
| 25 to 34 years     | 35%         | 35%         | 35%         |
| Below 25 years     | 5%          | 5%          | 6%          |
|                    | <b>100%</b> | <b>100%</b> | <b>100%</b> |

| Nationality      | FY 2015     | FY2014      | FY2013      |
|------------------|-------------|-------------|-------------|
| Singaporean / PR | 16%         | 15%         | 14%         |
| Malaysian        | 2%          | 1%          | 2%          |
| Indian           | 41%         | 40%         | 39%         |
| Bangladeshi      | 6%          | 6%          | 6%          |
| Myanmar          | 17%         | 19%         | 18%         |
| Thai             | 15%         | 17%         | 18%         |
| Filipino         | 1%          | 1%          | 1%          |
| PRC              | 1%          | 1%          | 1%          |
| Others           | 1%          | 1%          | 1%          |
|                  | <b>100%</b> | <b>100%</b> | <b>100%</b> |

## CORPORATE SOCIAL RESPONSIBILITY

With the focus on being a good corporate citizen, OKP recognises the importance of conducting its business in a socially responsible way. The Group demonstrates this by taking our corporate social responsibility (CSR) seriously and contributing positively to the community where we operate.

At OKP, we seek to uphold the best practices in all our business operations, and this involves giving back to the community and seeking to give assistance to the underprivileged and needy in society. We do this by providing sponsorships and donations to charitable organisations and causes and encouraging our employees to make a difference to the community by volunteering and supporting worthy causes.

Over the past decade, there is a growing awareness of CSR in Singapore and the region and that having good in CSR can be a source of competitive advantage for businesses. It is gaining acceptance in many organisations, which are making CSR activities part and parcel of their business operations. The Global Compact Network Singapore (formerly known as Singapore Compact for Corporate Social Responsibility), which is a national society promoting CSR in Singapore, says: "Today consumers, investors, governments and even employees have become more sophisticated and more aware of good corporate behavior, or lack thereof. In this new business environment, a company's reputation has become one of its most valuable assets, and CSR has become one of the key components of corporate reputation. Positive CSR experiences build confidence and goodwill with stakeholders. Many organisations have developed clear CSR efforts as strategic branding and management approach in achieving a win-win outcome. Their number continues to grow."



Alexander Canal is one of OKP's completed projects in 2015.

Many companies subscribe to this view that by having an emphasis on CSR, they can gain benefits and increase profits. Thus, adopting CSR practices can bring about many intangible advantages such as establishing a good reputation for the company, and maintaining good morale among staff and better performances, thereby attracting investors. The staff will also inculcate greater pride in their company, thus increasing productivity.

The Group is committed to establishing stronger foundations in the communities we operate in by extending support to the community through involvement in various fund-raising activities and philanthropic efforts.

Thus, we endorse and execute CSR activities such as our annual Charities of the Year programme. Through this approach, we actively support many charities, providing our staff opportunities to be public-spirited citizens as they participate in fund-raising initiatives for specific causes and needs. Through several fund-raising events and charities, we are able to extend our reach to multiple needy groups within the communities that we serve.

The Group renders financial assistance and support to the following charities and community organisations:

- Chee Hoon Kog Moral Promotion Society, a charity which accepts non-paying residents recommended by the Ministry of Social and Family Development, Ministry of Health or through medical social workers of hospitals;
- Mouth and Foot Painting Artists Pte Ltd, an international, for-profit association wholly owned and run by disabled artists to help them meet their financial needs;
- World Children's Fund HK Ltd, a non-profit, charitable organisation whose purpose is to facilitate caring and sharing of aid to needy and suffering children in crisis situations worldwide;
- The Singapore Association for the Deaf, which serves the deaf and hard-of-hearing community with a mission to assist them in achieving a better quality of life and enabling them to integrate and contribute to society;





- Tentera Diraja Mosque's Charity Golf Tournament;
- Playeum Ltd, a charitable centre for creativity and culture in order to nurture the next generation of creators, innovators and thinkers, by engaging children and families in over 150 programmes and novel experiences through collaborations with other museums, public institutions and creative practitioners;
- Halogen Foundation Singapore, a values-based, not-for-profit institution dedicated to youth leadership and entrepreneurship development;
- Singapore Red Cross, an independent humanitarian society, which is dedicated to providing assistance in relief operations in times of disaster, and in auxiliary health and welfare services to the sick, the handicapped, the aged and the poor; and to provide voluntary aid to the sick and wounded in time of war, and to prisoners of war and civilians suffering from the effects of war;
- Educational scholarships and sponsorships for students in tertiary institutions. Since 2012, OKP has sponsored or provided scholarships more than five students at Nanyang Technological University and at National University of Singapore under the Building and Construction Authority (BCA) – Industry Environment Undergraduate Sponsorship/Scholarship;
- Singapore Children's Society's 1000 Enterprises for Children-in-Need Project, that helps protect and nurture children and youths, particularly those who are abused, neglected, and those from dysfunctional families;
- Dyslexia Association of Singapore, a society with its team of psychologists and specialist teachers providing help to over 1,000 dyslexic children from more than 250 schools;
- Ang Mo Kio-Thye Hua Kwan Hospital, a leading voluntary welfare organisation running a 200-bed hospital providing rehabilitation and geriatric care;
- Singapore Heart Foundation, which advocates health and plays a proactive role in helping heart patients and their families and in equipping the community with information and skills for better heart care;
- Community Chest, the fund-raising division of the National Council of Social Service that raises funds for the many charities that it supports in aid of the disadvantaged in society;
- Disabled People's Association, a self-funded voluntary welfare organisation that helps people with disabilities to become valuable, contributing members of the society;
- Handicaps Welfare Association, an organisation that is run by people with disabilities, for people with disabilities, to promote self-help and provide mutual support among the disabled in Singapore;
- Kidney Dialysis Foundation, a non-profit charitable organisation providing subsidised dialysis treatment to patients who could not afford treatment due to financial difficulties;
- Leukemia & Lymphoma Foundation helps pay for, either fully or partially, all costs related to the treatment of leukemia, lymphoma and similar blood-related disorders in its patients;
- Teen Challenge Singapore, an organisation that provides counselling, drop-in facilities for youth requiring close supervision, and residential care for individuals recovering from various forms of life-controlling problems, including teenage and adult drug and alcohol abusers;
- Yellow Ribbon Fund, a project to help rebuild lives of ex-offenders released from the various prisons and drug rehabilitation centres; and
- Singapore Gymnastics, the national sports association for gymnastics in Singapore, with funds raised for running and administering its various gymnastics programmes.



OKP completed the expansion of the CTR/TPE/SLE Interchange in 2015.

The Group also sponsors events or programme by various organisations including Citizen's Consultative Committees, Community Development Council, People's Association and Land Transport Authority. It does this by raising funds for charities through golf tournaments and other projects.





# SAFETY AND ENVIRONMENTAL AWARENESS

## **STRENGTHENING SAFETY AND ENVIRONMENTAL AWARENESS**

At OKP, one of our guiding principles to our employees is that we are committed to providing them with a safe accident-free working environment and ensuring that they go home safe. This commitment is also extended to our contractors, subcontractors and others who come to work at our premises and worksites. Developing and instilling a culture of safety and good environmental awareness within OKP is a key consideration in the planning and operation of its business. Thus, enhancing safety standards and creating environmental awareness are vital aspects of OKP's core values and work environment.

In the fourth quarter of 2015, the Group made significant progress and improvements in the area of Quality, Environmental, Health and Safety (QEHS). The Group changed its safety practices by starting with its management team. The management team has direct responsibility for safety performance and everyone is a "safety manager" for the area under his care. They are responsible for ensuring that the QEHS programme proposed at the management level is implemented effectively on the ground.

To strengthen its QEHS capability, the Group has increased its manpower to better manage this function. In 2015, a corporate safety manager, who is stationed at different sites according to a roster, is engaged to provide direction and advice on QEHS matters across all the project sites.

The Group's policy is to ensure a minimal risk work environment as the organisation believes that all accidents are preventable. It is therefore our duty to provide a working environment that exceeds health and safety regulatory obligations.

We have set up vision zero as our aim. We seek to inculcate and improve vision zero with regards to injuries, work-related illnesses and environmental impact for all our workplaces locally and overseas. Setting vision zero is not about focusing solely on meeting a numerical target of zero injuries, zero risks at the workplace or zero harm to the environment. Rather, it is about adopting a mind-set that strives for zero harm in the workplace and to the environment. This mindset has to be internalised within the organisation. Thus, inculcating a safety culture and promoting environmental awareness among all stakeholders are important aspects of OKP's core values and efficient work environment.

Adapting safety standards and environmental control measures in the Group goes beyond eliminating risks at worksites and decreasing adverse impact on the environment. It is about creating the right environment and greater awareness, whereby each individual from senior management to the workers can contribute fully towards achieving vision zero. The Group places emphasis on workplace safety, health and environmental protection at each and every phase of the project cycle from conceptualisation to the construction and management stages. This ensures that potential workplace safety, health and environmental risks are addressed early and immediately, thereby minimising or eliminating risks downstream.

The Group believes accident prevention and environmental protection is not only a moral obligation but also a good business practice. By detecting and directing our resources to address hazards and safe guard the environment, we seek continually to reduce our incident rates and costs associated with accidents. Maintaining and ensuring a safe working and sustainable environment for our employees and

all stakeholders are therefore an important aspect of our efforts to achieve good performance, strengthen our corporate image and enhance our competitiveness.

## **ENSURING HIGH STANDARDS**

Quality, environmental, health and safety issues are significant areas in OKP's overall business management. The management team establishes a strong foundation by providing clear directions within OKP for an effective occupational health and safety management approach so as to prevent safety-related and health incidents, and promote risk-free and environment-friendly premises. This management approach also complies with relevant laws and regulatory requirements, and ensures a capable and well-trained workforce across the organisation.

OKP makes it a priority to ensure the highest standards of QEHS performance, especially at its worksites. To achieve this aim, we make QEHS responsibility an important and crucial aspect of the way we conduct our business with our stakeholders such as clients, subcontractors and suppliers.

One way to enhance our QEHS performance is by adopting bizSAFE, which is the Workplace Safety Health Council five-step programme, assisting companies to improve their workplace safety health capabilities in order to achieve high safety and health standards at the workplace. Since 2014, OKP has appointed only contractors and vendors with bizSAFE Level 3 and above for its projects.

Our employees and subcontractors' employees working onsite are key assets. As such, we emphasise the safety and well-being of all employees and we do not compromise on our employees' safety at the expense of costs or time because every employee



OKP team celebrated the achievement of 500,000 accident-free man hours at the worksite involved in the widening of Tanah Merah Coast Road.

matters. As an industry leader, our aim is to be a health and safety benchmark, similar to the way that we are now a benchmark for the quality of our expertise and the solutions we implement.

To stay ahead in this competitive industry, OKP continuously reviews and revises its QEHS Management System. By reviewing and revising our QEHS procedures, we improve our workplace safety and health standards and also fine-tune our operational procedures, thus improving our efficiency. The Group's integrated management system had been implemented according to the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 requirements. Maintaining our certification by BCA is a testimony that OKP has a robust system and strong commitment in ensuring continuous quality, and environmental, safety and occupational health improvements. We successfully obtained re-certification of our ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certificates in August 2015.

Another plus for OKP is its attainment of the Green and Gracious Builders Award conferred by the BCA since May 2012. In 2015, it was conferred the BCA Green and Gracious Builder (Merit) Award. The award was introduced to raise the environmental consciousness and professionalism of builders. It is also a benchmark of a builder's corporate

social responsibility to the environment and the general public. It also sets standards for gracious practices, which will enhance the image of builders and the construction industry, particularly in neighbourhoods affected by construction activities.

The Group is committed to protecting and preserving the natural environment through a variety of ongoing activities. Adopting the environmental mantra of Reduce, Reuse, Recycle, we contribute to the protection of our environment by waste management, energy conservation; and water conservation.

We define being gracious to mean that we provide a pleasant environment for our clients and for all members of our society. Thus, the Group undertakes to do its part by:

- working to reduce and control construction site noise and vibration in order to provide a more pleasant environment for the public, our client and our employees;
- providing a work environment where all people from diverse backgrounds can work together and have a sense of fulfilment; and

- enabling everyone to work together to achieve an injury-free environment. We are dedicated to providing the tools, knowledge and resources to keep all who are on or near our construction sites safe. Everyone goes home healthy from all of their jobs every day.

To further demonstrate our commitment to safety, both our subsidiary companies Or Kim Peow Contractors (Pte) Ltd and Eng Lam Contractors Co. (Pte) Ltd have renewed their Workplace Safety and Health Council's bizSAFE STAR status in early January 2015. This is the highest level awarded to enterprises for their commitment to maintaining a good Risk Management and Workplace Safety system.

### WINNING QEHS RECOGNITION AND AWARDS

The Group's commitment and emphasis on QEHS have once again gained positive results. This can be seen in the numerous awards that OKP has received in recognition of its workplace health management and occupational safety focus. In 2015, the Group won three safety awards and one green gracious builder award. Since 2005, it has won 10 other safety awards, two green and gracious awards, and one construction environmental award.



# SAFETY AND ENVIRONMENTAL AWARENESS

## MAINTAINING QEHS SUSTAINABILITY

In today's dynamic and rapidly changing environment, OKP faces the challenge of continuing to maintain the high standards of our QEHS system. Our approach on sustainability involves many aspects of how we conduct ourselves and implement our QEHS Management System. We believe QEHS sustainability is vital to our customers, employees, shareholders, and community, and is also a long-term business driver. By focusing on specific efforts that address safety, health and environmental challenges and maintaining a good QEHS track record, we can reduce risks and improve our competitiveness for all our future business ventures.

The Group has made much improvement in promoting and implementing its QEHS programme in its business practices. We ensure that our work practices are environmentally-friendly and protect the safety and well-being of our employees at all times and in

all premises and situations. We ensure that we regularly update our Legal Register so that we are up-to-date with all applicable legal requirements. With the assistance of the updated Legal Register, OKP would be able to keep up with changes and proposed legislations. The Legal Register also ensures that we are more aware of and understand the implications of core legislations and other requirements that can influence or affect our operations. This is a vital element to ensure that we stay compliant with local regulatory requirements as well as international standards.

At OKP, we also seek to reduce pollution levels at all our worksites so that our workers can enjoy a higher quality of life in the construction-related surroundings and environment in which they work.

When recruiting new staff and engaging partners, OKP also looks into their QEHS experience and track record. Our ability to attract, develop and retain qualified employees, consultants and

subcontractors with good QEHS track records has greatly contributed to our business' success and sustainability.

During these unpredictable times with crises such as haze and monsoon rains, and unavoidable disease outbreaks, OKP has set up its Business Continuity Plans. We have carried out risk assessments to ensure that the business functions and operations can continue without comprising our employees' safety and health. During the haze crisis over a few months in 2015, OKP was quick in action to raise awareness among the workers on the potential hazards of the haze. All workers were trained and informed of the appropriate way to don the mask provided and stop work if the quality of air reach hazardous level.

All these established practices are aimed at achieving high quality standards, as this approach will provide a strong and stable foundation for future generations of management and staff to follow and further improve the QEHS standards.

## PROMOTING A SAFETY CULTURE

At OKP, we remain committed to increasing and establishing a strong and sound safety culture and achieving a positive mindset among our employees that encourage responsibility towards oneself and one's co-workers. Safety management starts from the project planning stage and is practised through the various stages of design, construction and management till the projects are fully completed. By being good role models, our management staff has shown high-level commitment and championed a strong safety culture within OKP.

Developing a progressive and pervasive QEHS culture is pivotal in raising its standards. Improving standards and developing a vibrant QEHS culture



Safety meetings are held regularly at the worksites to ensure occupational health and safety.





Safety banner at our construction site.

are not things that a business unit can achieve on its own. Thus, in 2015, a project team collaborated and formed a community where safety alerts and bulletins are created and communicated to other project teams to share best safety practices, lessons learnt, case studies and other important safety information. Monthly project-level cross audit is also carried out to provide a “third eye” to identify shortfalls in the existing QEHS system and practices.

Through the years, our comprehensive construction safety programme has evolved and the principles and processes behind this programme have also been fine-tuned. Some of these include:

- a rigorous subcontractor and supplier selection and approval process, which shortlists companies with good safety track records;
- risk assessment procedures to identify, among other things, situations and processes that may potentially cause injury to people. After identification, we will evaluate the likelihood of the risk and the severity of its impact, and then determine the preventive measures to put in place; and
- field regular safety audits at construction worksites.

The Group also implements various additional initiatives to further strengthen safety awareness at all its workplaces.

Firstly, one of the key initiatives was the introduction of Behavioural Based Safety programmes at our worksites. This is a safety approach that focuses on the behaviour of workers as the cause of most work-related injuries and illnesses. By conducting reviews and surveys of current work practices and collating data from interviews and observations, trained observers would identify the root cause of the respective group’s or worker’s unsafe behaviour. The results are usually fed back to the group or worker, and safe or model behaviours would be developed to assist the respective group or worker. Through the Behavioural Based Safety programmes, OKP is able to improve the well-being of our workers, thus enhancing its safety performance and culture and achieve a sustained adjustment of attitudes towards safety.



Group inspection of an excavator at a worksite.

Secondly, we continuously engage all employees on the Corporate Safety Promotion Programme so as to promote safety awareness at all organisational levels and strengthen our aim to make employee safety a top priority. Our Safety Promotion Programme seeks to encourage employees to enhance their own safety behaviour and that of their fellow workers, and support the Group’s safety, health and environmental goals. Various safety promotional activities were carried out. These included the “Your Hands are Important” safety campaign, Dengue Prevention campaign (jointly conducted with LTA and the National Environment Agency (NEA), monthly mass safety talks and regular incentives to employees with good safety performance/behaviour.

Thirdly, we have continued to improve and enhance a systematic way of monitoring the safety performance and knowledge of all workers. All workers will carry a personnel safety card that records types of safety training received and safety infringement committed. Workers with poor safety knowledge and record would be easily identified by the supervisor and recommended for further training. The worker would also be closely watched during work process to avoid any safety non-conformance.





# SAFETY AND ENVIRONMENTAL AWARENESS



Emergency drills are conducted regularly at our worksites to ensure that everyone is well-prepared to handle any potential accidents such as fires.

Fourthly, OKP has embarked on using modern technology of applications (apps) for the Permit To Work System. In using the application, it could achieve more time and cost saving during the process. In addition, it could prevent any possible lapses to the Permit To Work system.

Last but not least, emergency drills are conducted regularly at all our worksites to reinforce emergency preparedness to handle any potential incident such as fires, chemical spillages and fall-from-height incidents. The Group conducts coordinated joint exercises such as rescue drills at its worksites with external agencies such as the Singapore Civil Defence Force. Such activities help to increase safety awareness and knowledge of all employees. This demonstrates OKP's commitment towards the safety and well-being of all its employees, clients, subcontractors and suppliers.

## DEVELOPING QEHS TRAINING AND COMPETENCY

At OKP, we believe that our employees are crucial to the successful implementation of our workplace safety and health management system. Significant resources are deployed to attract, develop and retain extraordinary

talent and promote each employee's capabilities. We have carefully identified and developed specific training programmes for all our employees to fully equip them with the knowledge to effectively execute their responsibilities. Our employees are our best assets. Building people to their highest potential strengthens and increases our competitive edge.

We train and develop our staff at all levels, equipping them for the challenging construction environment through programmes offered by the Ministry of Manpower (MOM) approved training centres. All management staff and engineers are required to attend safety-related courses such as the "Construction Safety Course for Project Managers" and "Risk Management Course". These courses enable them to be fully aware of regulatory requirements to assume the roles of risk management leaders so as to eliminate or lessen risks at source.

As part of the Group's orientation programme, supervisors advise new employees on the highest standards of QEHS requirements. New employees are required to undergo a safety induction programme upon first joining the company. The Group safety team continuously updates its in-house safety

training and education programme for both new and existing employees to equip them with the basic knowledge necessary to carry out their various functions in a safe and competent manner. Specialised and more detailed information and training are given regularly to site safety practitioners. This is to keep them updated on the latest industrial safety and environmental regulations.

Due to the nature of our work and large work area covered by our project sites, we have also gone beyond local regulatory requirements and trained a sufficient number of first-aiders for our projects. The trained first-aiders are deployed strategically at each work area to ensure that any person who sustains an injury can receive first-aid treatment quickly.

## PROMOTING A GREEN ENVIRONMENT

To minimise environmental hazards and be environmentally-friendly, OKP seeks to carry out its daily business in a socially responsible way and contribute positively to the communities in which it operates.

The Group makes every effort to protect the environment in its business activities through good environmental practices. Some of these ongoing green efforts for all its worksites include the following activities:

- Reducing the environmental impact of work activities by implementing action plans aimed at cutting consumption of natural resources and reusing and recycling construction waste wherever possible;
- Managing and disposing construction waste properly;



Going through safety measures for workers at the worksites.

- Reduce/ reuse/ recycle construction materials such as timber, reinforcement and concrete debris;
- Maintaining construction machinery regularly to lessen carbon emissions;
- Implementing and maintaining effective earth control measures onsite to prevent silty water from polluting public drains;
- Reducing and treating waste water from construction activities in treatment plants before releasing into the public drainage system;
- Minimising water consumption and emissions;
- Using eco-friendly innovations such as solar-powered devices and de-sanding machines to separate sand from dredging wastes;
- Reducing the usage of timber formwork by using metal formwork;
- Evaluating subcontractors' green practices before award of project;
- Evaluating a product's impact on the environment and considering if the product has a Green Label before selecting the supplier's products;
- Using more environmental-friendly products which are non-toxic; and
- Implementing promotional activities onsite to encourage green practices.

In addition, the Group is committed to complying with all applicable environmental laws and regulations.

### MOVING FORWARD

In the context of a continually changing working environment and business requirements, the Group will also constantly find ways to tackle the challenges in the QEHS landscape and identify opportunities to keep abreast of its developments. Through the collective efforts of every stakeholder, significant improvements in QEHS standards have been made. However, as long as there is a risk of one worker being hurt at our workplace, we will not rest on our laurels and will continue our efforts to raise our QEHS standards. Plans are underway for many more QEHS initiatives to come in the near future.



Workers receiving a safety handbook to ensure they are aware of implementing safety measures at worksites.



## OUR CUSTOMERS

Our customers are key to our growth and success, enabling the Group to flourish from a sole-proprietorship in 1966 to a public listed company today. At OKP, we fully acknowledge that our ability to establish strong foundations and build a sustainable business through the past decades is attributed mainly to the loyal and steady support of our customers.

Our relationships with our customers are long-term and mutually beneficial. We believe our customers benefit from our committed team efforts and quality services while we are able to strengthen our capabilities, widen our expertise and skills, and extend our business through our customers' projects. Our customers' loyalty, trust and confidence in OKP have enabled the Group to be widely recognised as a reputable civil engineering contractor in Singapore and the region today

### MEETING OUR CUSTOMERS' NEEDS COMPETENTLY

Our guiding principle to our clients is our commitment to providing them with superior service that meets their time schedule; exceeds their expectations in quality, reliability and safety; and is within their budget.

At OKP, we ensure that all employees are mindful of this commitment to deliver on our service promise. In seeking to fulfil our service promise to our customers effectively, our team works cohesively to achieve our vision to be a leading transport infrastructure and civil engineering company in Singapore, the region and beyond.

At the operational level, the Group fulfils this service promise by training and empowering our workforce to support our customers to the best of their capabilities at all times. We reinforce this view to our staff by encouraging them to listen actively to our customers



A site visit to CTE/TPE/SLE Interchange with Mr Ong Ye Kung, Acting Minister for Education (Higher Education and Skills) and Minister of State, Ministry of Defence (front row, centre in white long sleeve shirt); MP Lee Bee Wah (front row, centre in green), customers and OKP senior management.

and their feedback, and work with the customers to better understand their business needs and address them accordingly. We empower our employees by giving them the necessary autonomy, assistance and resources to explore and initiate new ideas to meet our customers' requirements and concerns. Our employees aim to rectify the underlying causes of a customer problem rather than merely treating the symptoms, and in this way, nip the root of the issue efficiently.

At our worksites, we work in tandem with our customers to ensure that our safety standards comply with all government rules and regulations. For both customers and the Group, delivering a project on time and on budget is vital for the successful completion of all projects. To achieve this aim, we strive to work conscientiously with our customers to ensure the projects are completed successfully within the stipulated contract terms.

### DELIVERING ON OUR PROMISE TO OUR CUSTOMERS

As OKP seeks to deliver on its service promise in the highly competitive business environment in Singapore and the region, we believe that customer satisfaction becomes increasingly crucial to sustaining our business. At OKP, we note that customer satisfaction

has been a key factor in the success of our business. Focusing on our customers, OKP's management team and supervisors work towards providing a high level of engagement with them to ensure the smooth completion of all projects.

The Group believes that when it constantly delivers on its contracts on time and on budget, and exceeds customers' requirements, customers will develop greater trust and confidence in OKP. Thus, we strive to build up this confidence and establish a good reputation by ensuring that we deliver on our projects with the highest levels of reliability, integrity and efficiency.

Through our many decades of operational experience, we have established some key targets to ensure a high level of customer service. These targets help OKP to establish and retain strong relationships with our customers and keep them satisfied.

We aim to provide:

- prompt response to customers' needs and in developing solutions for their problems;
- honest and ethical business practices that put our customers' interests first;
- high standards of service quality;





- high safety standards at building and construction sites;
- effective management to complete projects on time and within budget; and
- results that meet customers' requirements and expectations.

### **GROWING OUR CUSTOMER BASE**

To establish a stronger foundation and engineer a brighter future for our business in the long term, we need to maintain as well as strengthen our customer base. Our customers come from a wide-ranging group of organisations in both the public and private sectors, including those from industries such as energy, utilities, transport, housing and town planning.

The Group has established a good reputation in the public sector as a reliable and well-recognised infrastructure contractor in Singapore. Some of our public sector clients include the Changi Airport Group, Housing & Development Board, JTC Corporation, Land Transport Authority, National Parks Board, Public Utilities Board and Urban Redevelopment Authority. In the private sector, our clients include ExxonMobil, Foster Wheeler Asia Pacific Pte Ltd, WorleyParsons Pte Ltd and Angullia Development Pte. Ltd.

At OKP, we aim to actively expand this list of customers as we bid for new projects and grow the business in Singapore and the region. We have grown through joint ventures with several partners to develop property projects. To build new capabilities and enhance our competitiveness, OKP has also invested in a joint venture in 2014 to tender for Mass Rapid Transit (MRT) projects and undertake MRT projects if awarded.

We are also aiming to expand our list of customers in the region. One of the ways we are doing this is by getting a licence in 2015 to operate a representative foreign construction service company in Jakarta, Indonesia to explore business opportunities in the building and construction industry there.

With our vast expertise and skills, good track record and solid reputation for delivering results, OKP is poised to succeed in expanding its customer base and grow a sustainable business in the long term in Singapore and the region.

### **SECURING CONTRACTS FROM REPEAT CUSTOMERS**

At OKP, we focus on a holistic approach in our customer service by having long-term and enduring relationships with our customers. We consider each customer relationship very important, looking at it as a long-term partnership to be cultivated at all levels and all times. We believe that building and maintaining sustainable relationships with customers are the foundation of OKP's business success.

Following this approach, the Group has made it a priority to establish and enhance many strong and stable partnerships with our customers over the past several decades. The strong relationships we enjoy with our customers have been fruitful as OKP has won many repeat contracts from various customers since it first started business as a sole-proprietorship in 1966.

Indeed, we are grateful for the continuing association with these long-term and supportive customers, who have stood by the Group through the ups and downs of the business cycle. These repeat contracts testify to our customers' satisfaction with OKP's expertise, and high quality and service standards.

Having a high portion of returning customers is no easy task. The repeat business is the result of the Group's competitive cost position and good past performances, which we believe are two most important criteria for winning new contracts. We also believe that the time and efforts we invest in nurturing and sustaining these relationships play a significant role in winning such contracts. In addition, our employees' focus in delivering high standards and quality projects to our customers is equally vital in helping to clinch new and repeat contracts.

### **PARTNERING TO BOOST OUR CUSTOMERS' EFFICIENCIES**

Due to the challenges faced in the global economy, which in turn affects Singapore's economy, today's business environment is difficult and very competitive. Our customers are frequently facing situations where they have to take decisive actions to improve productivity, reduce costs, and create added value to their businesses, very often with limited financial and physical resources.

As OKP continues to establish stronger foundations for its business by strengthening its capabilities, improving its competitiveness and growing a sustainable business in Singapore and the region, it seeks to help customers to maximise their efficiencies. We do this by being a significant and reliable partner, who understands and assists them to attain their financial and operational goals. The Group ensures that its contracts are priced accurately and fairly to reflect current market conditions. With our excellent track record in civil engineering infrastructure works and as a market leader in public sector construction projects, we are in a good position to deliver many value-added services to our customers.

### **ENGAGING OUR CUSTOMERS IN COMMUNITY SERVICE**

At OKP, we do not just engage with our customers professionally through our business activities at building sites and meetings. We also believe in engaging them in other ways outside of work. These activities include supporting them through providing sponsorships, and organising and hosting joint events in the respective industries.





## INVESTOR RELATIONS

The Group believes that it is important to provide a timely, relevant and accurate information on OKP's operational and financial performance to its shareholders as part of good corporate governance. We work to ensure that our investors understand our business, operating environment and strategic directions so that they can make informed investment decisions.

To achieve this objective, we regularly engage with our investors on multiple platforms to communicate effectively with them. Our senior management and investor relations (IR) team actively keep communication channels open with the investment and financial community, and the media.

Our guiding principle in relation to our shareholders is our commitment to maximising their return on investment while maintaining excellence in our products and services. The Group's commitment is to create and increase long-term value for all our shareholders and investors. Over the past decades, OKP has established strong foundations, developed new capabilities and extended its knowledge, experience and skills in order to fulfill its vision to be a leading transport infrastructure and civil engineering company in Singapore and overseas. Through this, the Group is able to engineer a bright future through sustainable growth in its business and delivery of stable results – to meet the expectations of its shareholders and investors.

To stay competitive as an industry leader, OKP diligently monitors the external business and macroeconomic environment affecting its business and responds strategically. The Group keeps abreast of and applies best practices by institutionalising effective management practices, with good operational procedures to enable efficient and practical workflow. To our employees,



*Our Executive Director, Mr Or Lay Huat Daniel (centre) receiving award for Runner Up in the Mainboard Small Caps category at the Securities Investors Association (Singapore) 16th Investors' Choice Awards 2015.*

we stress the importance of delivering excellent customer service, which meets and exceeds our customers' expectations.

### **PRACTISING GOOD CORPORATE GOVERNANCE**

As a listed company, the Group is committed to ensuring good corporate governance, whereby OKP manages, directs and balances the interests of its stakeholders which include customers, employees, suppliers, business partners, investors and the general public. In the light of constantly developing requirements for better disclosure, transparency and corporate governance, OKP believes good corporate governance is essential in achieving and retaining investors' trust and confidence in the Group, as well as drawing the interest of new shareholders.

The Group supports the pledge towards board diversity, which is an initiative for listed companies by the Singapore Institute of Directors and Singapore Exchange (SGX) this year. The pledge states: "We, as corporations, are committed to promoting diversity as a key attribute of a well-functioning and effective Board. We believe that a diverse Board will enhance decision making by harnessing the variety of skills, industry and business experiences, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service, and other distinguishing qualities of the members of the Board."

The Group has established processes to strengthen its corporate governance framework to allow greater transparency and fast-track management decision-making processes, and reinforce management oversight. One of the ways OKP does this is by adopting the criteria used to score the Governance and Transparency Index (GTI) ranking for SGX companies administered by the National University of Singapore Business School for Governance, Institutions and Organisation and CPA Australia.

Currently in its seventh year, the GTI score comprises two components – the base score; and adjustments for bonuses and penalties. Companies can obtain a maximum of 100 points for the base score under four domains – board matters; remuneration matters; accountability and audit; and transparency and investor relations. From a study of 639 companies, OKP's ranking in 2015 was 53, up from the 2014 ranking of 92. Its overall GTI 2015 score was 69, an improvement from 57 in 2014. Thus, it can be seen that OKP is strengthening its corporate governance.

At OKP, we also aim to proactively engage the investment community and demonstrate greater transparency to shareholders, investors and other interested parties so that they are being kept up-to-date on corporate developments and able to make well-informed decisions with regard to their investments. The Group believes that



Interview with our Executive Director, Mr Or Lay Huat Daniel was published in The Edge in August 2015.

this transparency contributes greatly towards a better understanding of OKP and its activities, and allows the investing public to assess how well OKP is performing.

As a responsible company which is committed to good corporate governance, OKP fully supports the Corporate Governance Week, which is organised annually by the Securities Investors Association (Singapore). Its focus on building and implementing excellence in corporate governance resonates with the way the Group manages its business and how it communicates with its shareholders.

• **INVESTOR RELATIONS POLICY**

At OKP, we have a clear IR policy. We want to ensure fair, open and ethical business dealings with all our stakeholders. We ensure that the Group discloses relevant and material information according to these basic principles and in accordance with the SGX's rules. We are proactive in providing shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the movement of the OKP's share price.

We have been well recognised for our excellence in IR and commitment to good corporate governance. This is evident by the numerous awards

and accolades which OKP has won in recent years, namely:

- Runner Up in the Most Transparent Company Award for Construction and Materials; and Mainboard Small Caps categories at the Securities Investors Association (Singapore) (SIAS) 16th Investors' Choice Awards 2015;
- Best Investor Relations Award (Gold) in the "Companies with less than \$300 million market capitalisation" category at Singapore Corporate Awards (SCA) 2015;
- Merit for the Singapore Corporate Governance Award under Mainboard Small Caps category; and Runner-up for the Most Transparent Company Award in the Constructions and Materials category at SIAS 15th Investors' Choice Awards 2014;
- Best Investor Relations Awards (Bronze) in the "Companies with less than \$300 million in market capitalisation" category at SCA 2013;
- Winner of the Most Transparent Company Award under Mainboard Small Caps category at SIAS 14th Investors' Choice Awards 2013;
- Winner of the Most Transparent Company Award under Mainboard Small Caps category at SIAS 13th Investors' Choice Awards 2012;
- Best Investor Relations Awards (Bronze) in the "Companies with less than \$300 million in market capitalisation" category at SCA 2012;
- Best Investor Relations Award (Gold) at SCA 2009 in the "Companies with less than \$300 million in market capitalisation" category; and
- Best Investor Relations Award (Silver) at SCA 2008 in the Small Market Capitalisation category.

• **DIVIDEND POLICY**

The Group does not have a formal dividend policy. The form, frequency and amount of dividend payable on our shares will depend on our financial position, results of operations, capital needs, plans for expansion, and other factors as our Board of Directors may deem appropriate.

At OKP, we have maintained a dividend payout of 12.5 per cent to 47.8 per cent over the past five years.



Our Executive Director, Mr Or Lay Huat Daniel (left) receiving Best Investor Relations Award (Gold) in the "Companies with less than \$300 million market capitalisation" category from Singapore Business Federation's CEO, Mr Ho Meng Kit (centre) at the Singapore Corporate Award 2015.



# INVESTOR RELATIONS



Towards Excellence   
in Corporate Governance

## ENGAGING ACTIVELY WITH SHAREHOLDERS

The Group recognises the importance of engaging and communicating effectively with shareholders, investors and other stakeholders, especially in the framework of constantly evolving demands for better disclosure, transparency and corporate governance. To achieve this aim, OKP utilises multiple communication platforms to share and facilitate communications with existing and potential investors, financial analysts and the media. These channels include group briefings to analysts, investors and the media; one-to-one meetings with shareholders and potential investors; and the investor relations section of our corporate website. Some of our activities include the following:

- **ANNUAL GENERAL MEETING**

One of the key channels to communicate with investors is the annual general meeting (AGM), which is held every April. Besides providing an opportunity for investors to raise concerns and seek clarification, the AGM also enables the Board of Directors and senior management team to interact and respond directly to them. All Board members attend and answer questions from shareholders relating to the past, current and future directions of OKP's business, explain decisions made and address any concerns raised. The Group takes full advantage of the AGM to inform shareholders of OKP's latest developments and provide an opportunity for shareholders to ask questions and vote on the

resolutions being tabled. All directors are expected to attend the AGM, especially the Chairpersons of the Audit, Nominating and Remuneration committees. Shareholders may also submit written questions relating to the statutory audit report and OKP will respond in a timely manner to their questions.

- **ANNOUNCEMENTS OF CORPORATE DEVELOPMENTS**

The Group keeps its investors up-to-date on OKP's developments by issuing timely announcements on new contracts, strategic developments, financial results and other important information through SGXNET website, press releases, email alerts and OKP's investor-friendly website.

Our investor relations website is a key channel through which OKP broadcast its news to the investment community. It is a resource for corporate, financial and stock information, and announcements of significant business developments. It also houses OKP's quarterly results and annual reports. Since 2003, OKP's website features webcasts comprising videos of full-year results messages plus presentation slides.

All the Group's announcements are posted immediately on its website, following its release to the Singapore Exchange to ensure fair, equal and prompt dissemination of information. Thus, all shareholders and investors can keep track of OKP's latest business developments quickly and effectively.



Our Executive Director, Mr Or Lay Huat Daniel (centre) receiving Runner Up in the Most Transparent Company Award for Construction and Materials category at the Securities Investors Association (Singapore) 16th Investors' Choice Awards 2015.

- **ANALYST AND MEDIA BRIEFINGS**

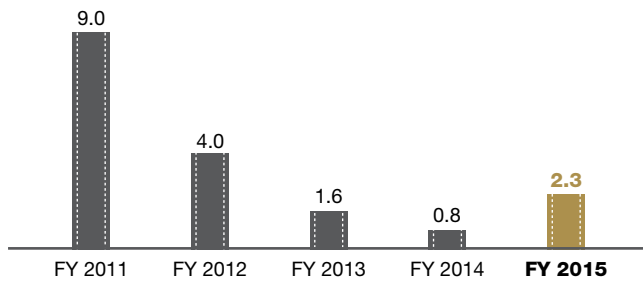
During the release of the Group's quarterly results, the senior management team avail themselves to meet with analysts to answer their questions and address any concerns. Outside of the financial results announcement periods, where necessary and appropriate, the senior management team would also meet analysts and fund managers, who seek to understand OKP's operations better. Where appropriate and when opportunities arise, OKP also conducts media interviews to give shareholders and the public deeper insights into our business and management thinking. In addition, we have also conducted tours to some of our facilities for interested analysts and the media.

The Group was featured in various newspapers, journals, magazines and broadcast media. These included The Business Times, Lianhe Zaobao, The Straits Times, The Edge Singapore, Singapore Business Review, Today Online, Shares Investment, Biz Daily Online, Reuters, Channel NewsAsia, High Net Worth, BT Invest, i3investor.com and Inside Invest magazine.



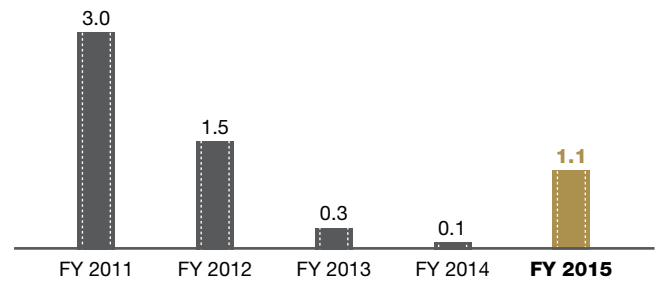
## INVESTOR'S RATIOS

### BASIC EARNINGS PER ORDINARY SHARE CENTS



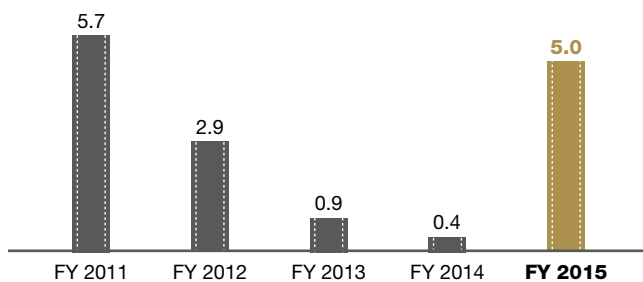
As a result of the increase in profit after tax, basic earnings per ordinary share increased from 0.8 cent in FY2014 to 2.3 cent in FY2015.

### GROSS DIVIDEND PER ORDINARY SHARE CENTS



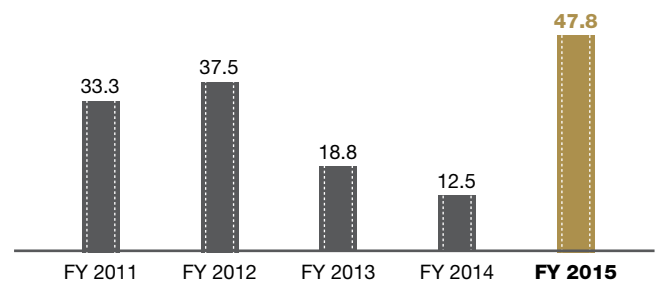
The Company paid an interim dividend of 0.1 cent per share on 17 September 2015 and proposed a final dividend of 0.7 cent per share and a special dividend of 0.3 cent per share for FY2015 (subject to the approval of shareholders at the forthcoming annual general meeting of the Company).

### GROSS DIVIDEND YIELD PER CENT



The gross dividend yield of 0.5 per cent is calculated based on the share price of 22.0 cent as at 31 December 2015.

### GROSS DIVIDEND PAYOUT PER CENT

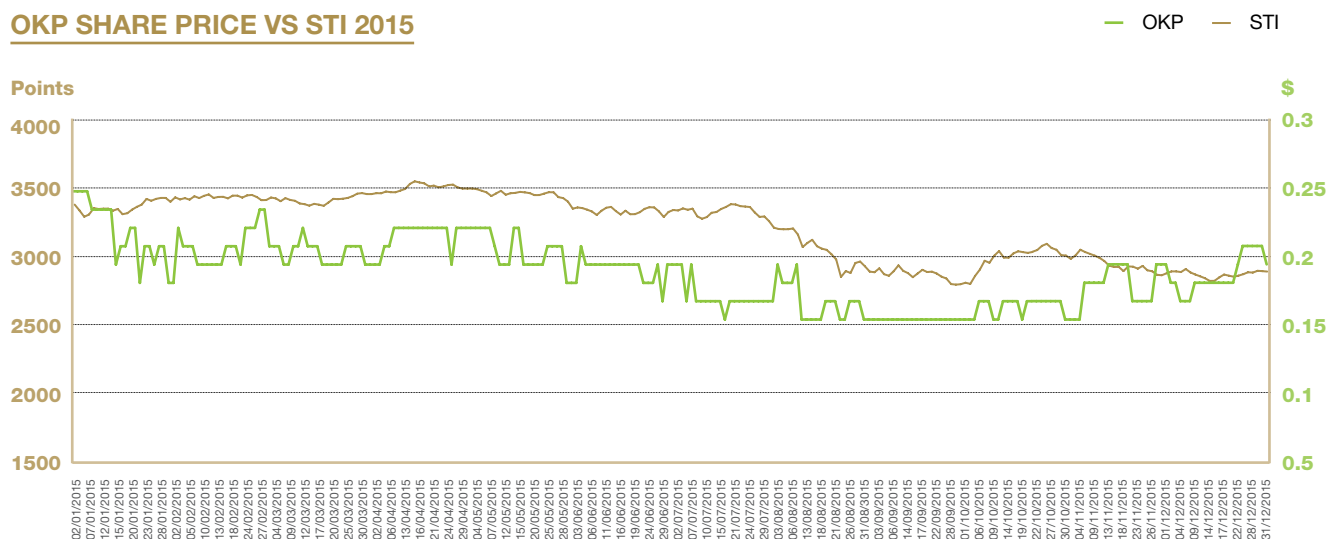


The Company paid an interim dividend of 0.1 cent per share and proposed total final and special dividends of 1.0 cent per share for FY2015 representing a dividend payout ratio of 47.8 per cent.



# INVESTOR RELATIONS

## OKP SHARE PRICE VS STI 2015



|                                  | 2011   | 2012   | 2013   | 2014   | 2015   |
|----------------------------------|--------|--------|--------|--------|--------|
| <b>Highest Price</b>             | \$0.68 | \$0.66 | \$0.56 | \$0.37 | \$0.26 |
| <b>Lowest Price</b>              | \$0.52 | \$0.49 | \$0.32 | \$0.25 | \$0.19 |
| <b>31 December Closing Price</b> | \$0.53 | \$0.51 | \$0.34 | \$0.25 | \$0.22 |

## FINANCIAL CALENDAR

| FY2016                  |   |
|-------------------------|---|
| <b>23 February</b>      | Announcement of full year results for financial year 2015   |
| <b>1 April</b>          | Despatch of Annual Report   |
| <b>18 April</b>         | Fourteenth Annual General Meeting   |
| <b>3 May</b>            | Books Closure for Dividend Entitlement  |
| <b>May</b>              | Announcement of first quarter results for financial year 2016                                     |
| <b>17 May</b>           | Proposed Payment of FY2015 Final and Special Dividends (subject to shareholder's approval at AGM) |
| <b>July/August</b>      | Announcement of second quarter and half year results for financial year 2016                      |
| <b>October/November</b> | Announcement of third quarter and nine months results for financial year 2016                     |

| FY2015              |   |
|---------------------|---|
| <b>16 February</b>  | Announcement of full year results for financial year 2014                     |
| <b>2 April</b>      | Despatch of Annual Report   |
| <b>27 April</b>     | Thirteenth Annual General Meeting   |
| <b>7 May</b>        | Books Closure for Dividend Entitlement  |
| <b>11 May</b>       | Announcement of first quarter results for financial year 2015                 |
| <b>27 May</b>       | Payment of FY2014 Final Dividend  |
| <b>3 August</b>     | Announcement of second quarter and half year results for financial year 2015  |
| <b>17 September</b> | Payment of FY2015 Interim Dividend  |
| <b>30 October</b>   | Announcement of third quarter and nine months results for financial year 2015 |

# CORPORATE GOVERNANCE REPORT

At OKP, we are committed to ensuring high standards of corporate governance. We believe that sound corporate governance principles and practices will improve corporate transparency, accountability, performance and integrity, and at the same time, protect and enhance shareholder value.

The Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) requires all listed companies to describe, in their annual reports, their corporate governance practices, with specific reference to the principles of the Code of Corporate Governance (the Code).

We have presented our corporate governance policies and practices on each of the principles of the Code in a tabular form, stipulating each principle and guideline, and explaining any deviations from the Code and taking consideration the Disclosure Guide provided by the SGX-ST on 29 January 2015. The Board of Directors is pleased to confirm that for the financial year ended 31 December 2015, the Company has adhered to the principles and guidelines of the Code as well as the Listing Manual of the SGX-ST where appropriate.

## 1. BOARD MATTERS

### The Board's Conduct of its Affairs

**Principle 1:** *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.*

#### **Our Policy and Practices:**

The principal functions of the Board, apart from its statutory responsibilities, are:

- Reviewing and approving the corporate policies, strategies, budgets and financial plans of the Company;
- Monitoring financial performance, including approval of the full year and quarterly financial reports of the Company;
- Approving major investment and funding decisions;
- Reviewing the evaluation process on the adequacy of internal controls, risk management, financial reporting and compliance;
- Overseeing the business and affairs of the Company, establishing the strategies and financial objectives to be implemented by the Management and monitoring the performance of the Management; and
- Assuming responsibilities for corporate governance.

*Guideline 1.1 of the Code: The Board's role*

One-third of the Board is made up of Independent Directors who are independent of the Management and 10% shareholders. The Directors on the Board have the appropriate core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively. Every Director is expected, in the course of carrying out his or her duties and responsibilities, to act in good faith, provide insights and consider at all times the interests of the Company.

*Guideline 1.2 of the Code: Directors to act in the interests of the Company*

The Board oversees the management of the Company. It focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the Executive Directors.

## CORPORATE GOVERNANCE REPORT (cont'd)

The Board has established three board committees (Board Committees) to assist in the execution of its responsibilities. They are the Audit Committee (AC), the Remuneration Committee (RC) and the Nominating Committee (NC). The terms of reference and composition of each Board Committee are presented in the following sections of this Report.

*Guideline 1.3 of the Code: Disclosure on delegation of authority by Board to Board Committees*

The Board held four scheduled meetings in the financial year ended 31 December 2015. Ad hoc Board meetings are also held whenever the Board's guidance or approval is required, outside of the scheduled Board meetings.

*Guideline 1.4 of the Code: Board to meet regularly*

The attendance of the Directors at scheduled meetings of the Board and Board Committees during the financial year ended 31 December 2015 is disclosed below:

|  | Board    | Board Committees |              |            |
|--|----------|------------------|--------------|------------|
|  |          | Audit            | Remuneration | Nominating |
| <b>Number of scheduled meetings held</b> | <b>4</b> | <b>4</b>         | <b>1</b>     | <b>1</b>   |
| <b>Name of Directors</b>                 |          |                  |              |            |
| Mr Or Kim Peow                           | 4        | *4               | *1           | *1         |
| Mr Or Toh Wat                            | 4        | *4               | *1           | *1         |
| Mdm Ang Beng Tin                         | 4        | *4               | *1           | *1         |
| Mr Or Kiam Meng                          | 4        | *4               | *1           | *1         |
| Mr Oh Enc Nam                            | 4        | *4               | *1           | *1         |
| Mr Or Lay Huat Daniel                    | 4        | *4               | *1           | *1         |
| Dr Chen Seow Phun, John                  | 4        | 4                | 1            | 1          |
| Mr Nirumalan s/o V Kanapathi Pillai      | 4        | 4                | 1            | 1          |
| Mr Tan Boen Eng                          | 4        | 4                | 1            | 1          |

(\*) – attendance by invitation of the relevant Committee

Dates of Board, Board Committee and annual general meetings are scheduled in advance in consultation with the Directors to assist them in planning their attendance. A Director who is unable to attend a Board meeting can still participate in the meeting via telephone conference, video conference or other similar means of communication. Telephonic attendance and conference via audio communication at Board meetings are allowed under Article 120(2) of the Company's Articles of Association.

We believe that contributions from each Director can be reflected in ways other than the reporting of attendances of each Director at Board and/or Board Committee meetings. A Director would have been appointed on the strength of his or her calibre, experience and stature, and his or her potential to contribute to the proper guidance of the Group and its businesses.

To focus on a Director's attendance at formal meetings alone may lead to a narrow view of a Director's contribution. It may also not do justice to his or her contribution which can be in many different forms, including Management's access to him or her for guidance or exchange of views outside the formal environment of Board meetings. In addition, he or she may initiate relationships strategic to the interests of the Group.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Under the guidelines, all new investments, any increase in investment in businesses and subsidiaries, and any divestments by any of the Group's companies, and all commitments to term loans and lines of credit from banks and financial institutions by the Company require the approval of the Board.

*Guideline 1.5 of the Code: Matters requiring Board approval*



The Board recognises the importance of appropriate orientation training and continuing education for its Directors. Every Executive Director receives appropriate training to develop individual skills in order to discharge his or her duties. The Group also provides information about its history, mission and values to the Directors. The Directors may, at any time, visit the Group's construction sites in order to gain a better understanding of business operations. There are also update sessions to inform the Directors on new legislations and/or regulations which are relevant to the Group. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, where these changes have an important bearing on the Company's or Directors' disclosure obligations, Directors are briefed at Board meetings. During the financial year, the Directors were briefed by Nexia TS Public Accounting Corporation on the developments in financial reporting standards and the changes that affect the Group. In addition, the Company has signed up for a corporate membership with the Singapore Institute of Directors (SID) for three years, effective from 2013. The objective is to be involved in SID's activities and enable the use of SID's one-stop corporate governance resources centre in order to improve OKP's corporate governance standards.

*Guidelines 1.6 of the Code: Directors to receive appropriate training*

All the Directors are informed and encouraged to attend seminars, courses and other programmes, particularly on relevant new laws, regulations and changing commercial risks, from time to time, in order to discharge their duties as directors. All the costs are borne by the Company. Some of the Directors attended the Global Corporate Governance Conference 2015 and Corporate Governance Forum organised by Securities Investors Association (Singapore) in October 2015.

Newly-appointed Directors will be briefed on the business and organisation structure of the Group and its strategic plans and objectives. All Directors are appointed to the Board by way of a formal letter of appointment or service agreement setting out the scope of their duties and obligations. Directors may, at any time, request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from the Management.

*Guideline 1.7 of the Code: Formal letter to be provided to Directors setting out their duties*

### **Board Composition and Guidance**

**Principle 2:** *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.*

#### **Our Policy and Practices:**

Currently, the Board consists of nine Directors of whom three are considered independent by the Board. There is a strong independent element on the Board, with Independent Directors constituting one-third of the Board. This enables the Management to benefit from their external, diverse and objective perspective of issues that are brought before the Board. It also allows the Board to interact and work with the Management through a constructive exchange of ideas and views to shape the strategic process.

*Guideline 2.1 of the Code: One-third of directors to be independent*



## CORPORATE GOVERNANCE REPORT (cont'd)

The Group Chairman, Mr Or Kim Peow, and the Group Managing Director, Mr Or Toh Wat, are immediate family members as well as part of the Management. However, the Board is of the opinion that based on the Group's current size and operations, it is not necessary nor cost-effective to have independent directors make up at least half of the Board. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making.

*Guideline 2.2 of the Code: Independent directors to make up at least half of the Board in certain circumstances*

The independence of each Director is reviewed by the NC on an annual basis. Annually, each Independent Director is required to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code. The NC adopts the Code's definition of what constitutes an "independent" Director in its review. The NC takes into account, among other things, whether a Director has business relationships with the Company, its related companies, its 10% shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

*Guideline 2.3 of the Code: Disclosure of Directors considered to be independent*

One of the Directors, Mr Nirumalan s/o V Kanapathi Pillai is the Senior Director of Global Law Alliance LLC (incorporating Niru & Co), which provides legal and professional services to the Group from time to time. The NC is of the view that the business relationship with Global Law Alliance LLC will not interfere with the exercise of independent judgement by Mr Niru in his role as an Independent Director as matters involving the Group are usually handled by the other directors of Global Law Alliance LLC. As such, the NC considers Mr Niru to be independent. No services were rendered by and no payment was made to Global Law Alliance LLC in the financial year ended 31 December 2015.

The NC and the Board determine annually whether a Director who has served on the Board beyond nine years from the date of his first appointment, is independent, taking into account the need for progressive refreshing of the Board. The Board observes that the Independent Directors who have served on the Board for more than nine years have been exercising independent judgement in the best interests of the Company in the discharge of their duties and should continue to be deemed independent. The Board recognises the contribution of the Independent Directors who over time have developed deep insights into the Group's business and operations, and who are therefore able to provide invaluable contributions to the Board. It is also noted that each of them is able to exercise objective judgement on commercial and corporate governance matters independently. They seek clarification as they deem necessary, with direct access to the Management. As such, the Board would exercise its discretion to extend the term and retain the services of the Director rather than lose the benefit of his or her contribution. After due consideration and careful assessment, the NC and the Board are of the view that Dr Chen Seow Phun, John, Mr Nirumalan s/o V Kanapathi Pillai and Mr Tan Boen Eng continue to be considered independent, notwithstanding that they have served on the Board for more than nine years.

*Guideline 2.4 of the Code: Independence of Director who has served on the Board beyond nine years should be subject to rigorous review*

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

*Guideline 2.5 of the Code: Board to determine its appropriate size*



The Board reviews its composition from time to time and seeks to maintain a diversity of expertise, skills and attributes among the Directors. The Board comprises businessmen with vast business or management experience, industry knowledge, strategic planning experience and includes professionals with financial, accounting and legal backgrounds. Profiles of the Directors are found in the “Board of Directors” section of the Annual Report. The NC is satisfied that the current Board comprises persons who, as a group, provide core competencies, such as accounting or finance, business or management experience, industry knowledge and strategic planning experience, required for the Board to be effective.

*Guideline 2.6 of the Code: Board to comprise Directors with core competencies*

The Independent Directors are non-executive Directors of the Company. They constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance.

*Guideline 2.7 of the Code: Role of non-executive directors*

The Independent Directors meet amongst themselves without the presence of the Management when necessary.

*Guidelines 2.8 of the Code: Regular meetings of non-executive directors*

### **Chairman and Chief Executive Officer**

**Principle 3:** *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company’s business. No one individual should represent a considerable concentration of power.*

### **Our Policy and Practices:**

The Company believes that a distinct separation of responsibilities between the Group’s Chairman (Group Chairman) and the Group’s Managing Director (Group MD) will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The posts of Group Chairman and Group MD are held by Mr Or Kim Peow and Mr Or Toh Wat respectively. Mr Or Toh Wat is the son of Mr Or Kim Peow. Both are Executive Directors.

*Guideline 3.1 of the Code: Chairman and CEO should be separate persons*

As Group Chairman, Mr Or Kim Peow is primarily responsible for overseeing the overall management and strategic development of the Group. His responsibilities include:

*Guideline 3.2 of the Code: Chairman’s role*

- Determining the Group’s strategies;
- Promoting high standards of corporate governance;
- Ensuring effective succession planning for all key positions within the Group;
- Scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group’s operations;
- Setting the meeting agenda (in consultation with the Group MD);
- Assisting in ensuring the Group’s compliance with the Code;
- Ensuring that Board meetings are held when necessary; and
- Reviewing relevant board papers before they are presented to the Board.

### **Note:**

(1) According to the Code, an “independent” Director is defined as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement with a view to the best interests of the Company.

## CORPORATE GOVERNANCE REPORT (cont'd)

As Group MD, Mr Or Toh Wat is responsible for effectively managing and supervising the day-to-day business operations in accordance with the strategies, policies and business plans approved by the Board. Mr Or Toh Wat executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of the Group's businesses. His responsibilities include:

- Executing and developing the Group's strategies and business objectives;
- Reporting to the Board on all aspects of the Group's operations and performance;
- Providing quality leadership and guidance to employees of the Group; and
- Managing and cultivating good relationship and effective communication with the media, shareholders, regulators and the public.

Both the Group Chairman and the Group MD exercise control over the quality, quantity and timeliness of information flow between the Board and the Management, and between the Executive Directors and Independent Directors.

Both the Group Chairman and the Group MD also ensure effective communication with shareholders. They take a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Company Secretary and the Management. The Group MD, assisted by the Management, makes strategic proposals to the Board and after constructive board discussion, executes the agreed strategy, manages and develops the Group's businesses, and implements the Board's decision.

In view that the Group Chairman and the Group MD are immediate family members, the Board has appointed Dr Chen Seow Phun, John as Lead Independent Director (LID) to lead and coordinate the meetings and activities of the Independent Directors. The LID is available to shareholders where they have concerns for which contact through the normal channels of the Group Chairman or Group MD has failed to resolve or for which such contact is inappropriate.

*Guideline 3.3 of the Code: Appointment of LID*

The Independent Directors, led by the LID, meet amongst themselves without the presence of the other Directors where necessary, and the LID will provide any feedback to the Group Chairman after such meetings.

*Guideline 3.4 of the Code: Led by the LID, independent directors to meet periodically*

### **Board Membership**

**Principle 4:** *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

#### **Our Policy and Practices:**

The NC was formed on 10 July 2002 and comprises entirely Independent Directors, namely:

Mr Tan Boen Eng (Chairman)  
Dr Chen Seow Phun, John (Member)  
Mr Nirumalan s/o V Kanapathi Pillai (Member)

*Guideline 4.1 of the Code: NC to recommend all Board appointments*



The key terms of reference of the NC are as follows:

- To make recommendations to the Board on relevant matters relating to the review of board succession plans for Directors
- To review nominations for the appointment and re-appointment of Directors to the Board and the various Board Committees;
- To decide on how the Board's performance may be evaluated, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director;
- To decide, where a Director has multiple board representations, whether the Director is able to and has been adequately carrying out his duties as Director of the Company;
- To ensure that all Directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years; and
- To determine on an annual basis whether or not a Director is independent.

The NC is charged with the responsibility of re-nominating the Directors. Pursuant to Article 107 of the Company's Articles of Association, one-third of the Directors (except the Group MD) shall retire from office at least once every three years at the Company's Annual General Meeting (AGM). In addition, Article 109 provides that the retiring Directors are eligible to offer themselves for re-election. Article 112 provides that each term of appointment of the Group MD shall not exceed five years. The NC reviews the training and professional development programmes for the Board.

*Guideline 4.2 of the Code: NC to recommend to the Board on certain relevant matters*

The NC is also charged with determining annually whether or not a Director is independent. Annually, each Independent Director is required to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code. The NC is of the view that the non-Executive Directors are independent.

*Guideline 4.3 of the Code: NC to determine Directors' independence annually*

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. In support of their candidature for directorship or re-election, Directors are to provide the NC with details of their other commitments and an indication of the time involved. In addition, Directors should consult the NC before accepting any new appointments as Directors. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The Board has determined that a Director may hold up to 8 listed company board representations.

*Guideline 4.4 of the Code: Ensure Directors with multiple board representations give sufficient time and attention to the Company*

Currently, the Company does not have alternate directors.

*Guideline 4.5 of the Code: Boards should avoid approving the appointment of alternate directors.*



## CORPORATE GOVERNANCE REPORT (cont'd)

When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC will be responsible for nominating the new Director. The NC has put in place a process for the selection of new Directors and re-election of incumbent Directors to increase transparency of the nominating process in identifying and evaluating nominees. The NC leads the process and makes recommendations to the Board as follows:

*Guideline 4.6 of the Code: Description of process for selection and appointment of new Directors to be disclosed*

- (a) the NC will evaluate the candidates skilled in core competencies such as technical, financial or legal expertise and experience in a similar or related industry, determine the selection criteria in consultation with the Board, and select candidates with the appropriate expertise and experience for the position, taking into account the value of gender diversity on the Board;
- (b) the NC will use external help, which includes the Company's auditors, its human resources consultants and the Singapore Institute of Directors, to source for potential candidates if needed. Directors and the Management may also make recommendations;
- (c) the NC meets the shortlisted candidates to assess suitability and ensure that candidates are aware of the expectation and the level of commitment required; and
- (d) the NC then makes recommendations to the Board for approval.

Information in respect of the academic and professional qualification, and directorship or chairmanship, both present and those held over the preceding three years in other listed companies, is set out in the "Board of Directors" section of the Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the "Directors' Statement" section of the Annual Report.

*Guideline 4.7 of the Code: Key information regarding directors*

The dates of initial appointment and last re-election of each of the Directors are set out below:

| Name                                | Age | Position                  | Date of initial appointment | Date of last re-election |
|-------------------------------------|-----|---------------------------|-----------------------------|--------------------------|
| Mr Or Kim Peow                      | 81  | Group Chairman            | 15 February 2002            | 27 April 2015            |
| Mr Or Toh Wat                       | 48  | Group Managing Director   | 15 February 2002            | Not Applicable           |
| Mdm Ang Beng Tin                    | 60  | Executive Director        | 20 March 2002               | 27 April 2015            |
| Mr Or Kiam Meng                     | 51  | Executive Director        | 20 March 2002               | 28 April 2014            |
| Mr Oh Enc Nam                       | 60  | Executive Director        | 20 March 2002               | 30 April 2013            |
| Mr Or Lay Huat Daniel               | 38  | Executive Director        | 1 August 2006               | 30 April 2013            |
| Dr Chen Seow Phun, John             | 62  | Lead Independent Director | 25 June 2002                | 28 April 2014            |
| Mr Nirumalan s/o V Kanapathi Pillai | 63  | Independent Director      | 1 June 2005                 | 27 April 2015            |
| Mr Tan Boen Eng                     | 83  | Independent Director      | 25 June 2002                | 27 April 2015            |

Mdm Ang Beng Tin is the wife of Mr Or Kim Peow. Mr Or Toh Wat, Mr Or Kiam Meng and Mr Or Lay Huat Daniel are the sons of Mr Or Kim Peow. Mr Oh Enc Nam is the nephew of Mr Or Kim Peow.

Mr Oh Enc Nam and Mr Or Lay Huat Daniel will retire by rotation at the forthcoming AGM and be subject to re-election by the Company's shareholders. In addition, Mr Or Kim Peow and Mr Tan Boen Eng, who are over 70 years old and whose appointments at the last AGM shall expire at the forthcoming AGM, shall be subject to re-election by the Company's shareholders.



## **Board Performance**

**Principle 5:** *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

### **Our Policy and Practices:**

We believe that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led and managed. The Board's performance is also tested through its ability to lend support to the Management, especially in times of crisis and to steer the Group in the right direction.

Based on the recommendations of the NC, the Board has established processes and objective performance criteria for assessing the effectiveness of the Board as a whole and the effectiveness of individual Directors.

*Guidelines 5.1 and 5.2 of the Code: Board to implement process to address how the Board's performance may be evaluated and disclose the process in Annual Report*

- (a) Assessment of the effectiveness of the Board as a whole  
The NC assesses the Board's effectiveness as a whole by completing a Board Assessment Checklist. The Board Assessment Checklist takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control, and the Board's relationship with the Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance. The selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. The NC has reviewed and is satisfied with the performance and effectiveness of the Board as a whole for the financial year ended 31 December 2015.
- (b) Assessment of the contribution of individual Directors to the effectiveness of the Board  
At the end of each financial year, the NC will evaluate the performance of each Director. The criteria include the level of participation in the Company such as his or her commitment of time to the Board and Board Committee meetings and his or her performance of tasks delegated to him or her. The NC has reviewed and is satisfied with the contribution by individual Directors to the effectiveness of the Board for the financial year ended 31 December 2015.

In view of the size and composition of the Board, the Board deems it unnecessary for the NC to assess the effectiveness of each Board Committee.

The NC is of the view that the primary objective of the assessment exercise is to create a platform for the Board members to exchange feedback on the Board's strengths and shortcomings with a view to strengthening the effectiveness of the Board. The assessment exercise also assists the Directors to focus on their key responsibilities. It also helps the NC in determining whether to re-nominate Directors who are due for retirement at the next AGM, and in determining whether Directors with multiple board representatives are able to and have adequately discharge their duties as Directors of the Company.

*Guidelines 5.3 of the Code: Evaluation of each Director whether he/she continues to contribute effectively*

The NC had conducted its assessments of the Board and the individual Directors in respect of the financial year ended 31 December 2015.

# CORPORATE GOVERNANCE REPORT (cont'd)

## Access to Information

**Principle 6:** *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

### **Our Policy and Practices:**

We believe that the flow of relevant, complete and accurate information on a timely basis is critical for the Board to be effective in the discharge of its duties. The Management is expected to provide the Board with information concerning the Company's progress or financial targets and other information relevant to the strategic issues facing the Company.

*Guidelines 6.1 and 6.2 of the Code: Board should have separate and independent access to Management; Management obliged to provide Board with adequate and timely information and include background and explanatory information*

The Management provides members of the Board with quarterly management accounts, as well as relevant background information relating to the matters that are discussed at the Board meetings. Such reports keep the Board informed of the Group's performance, financial position and prospects, and consist of the consolidated financial statements, major operational updates, background or updates on matters before the Board for decision or information, minutes of the previous Board meeting, and minutes of meetings of all committees of the Board held since the previous Board meeting. Detailed board papers are sent out to the Directors at least three working days before the scheduled meetings so that the Directors may better understand the issues beforehand, allowing for more time at such meetings for questions that Directors may have. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed.

All the Independent Directors have unrestricted access to the Management including the Group Financial Controller, other key management and the Company Secretary via telephone, e-mail and meetings. Any additional materials or information requested by the Directors to make informed decisions are promptly furnished.

Directors have separate and independent access to the Company Secretary. The role of the Company Secretary is clearly defined and includes responsibility for ensuring that the Board's procedures are followed and that applicable rules and regulations are complied with. The Company Secretary attends and prepares minutes of meetings of the Board and Board Committees and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act, Securities and Futures Act and the Listing Manual of the SGX-ST. He also advises the Board on corporate governance matters. He is also the channel of communications between the Company and the SGX-ST.

*Guidelines 6.3 of the Code: Directors should have separate and independent access to Company Secretary; role of Company Secretary to be clearly defined*

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

*Guidelines 6.4 of the Code: Appointment and removal of Company Secretary*

Each member of the Board has direct access to the Group's independent professional advisors as and when necessary to enable each member to discharge his responsibility effectively. Any cost of obtaining professional advice will be borne by the Company.

*Guideline 6.5 of the Code: Procedure for Board to take independent professional advice at company's cost*

## 2. REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 7:** *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

#### **Our Policy and Practices:**

We believe that a framework of remuneration for the Board and key executives should be linked, among other things, to the development of the Management's and key executives' strengths to ensure that there is a continual development of talent and renewal of strong and sound leadership for the continued success of the Company.

The RC was formed on 10 July 2002 and comprises entirely Independent Directors, namely:

Mr Nirumalan s/o V Kanapathi Pillai (Chairman)  
Dr Chen Seow Phun, John (Member)  
Mr Tan Boen Eng (Member)

*Guideline 7.1 of the Code: RC to consist entirely of non-executive Directors*

The key terms of reference of the RC are as follows:

- To recommend to the Board a framework of remuneration for Board members and key management personnel;
- To recommend to the Board the specific remuneration packages for each Director and key management personnel, which cover all aspects of remuneration including directors' fees, salaries, allowances, bonuses and benefits-in-kind;
- To determine the appropriateness of the remuneration of non-Executive Directors taking into consideration the level of their contribution; and
- To review and recommend to the Board the terms of renewal of the service contracts of Directors.

None of the RC members or Directors is involved in deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him.

The RC recommends to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximise shareholder value. The members of the RC do not participate in any decisions concerning their own remuneration.

*Guideline 7.2 of the Code: RC to review and recommend to the Board a general framework of remuneration for the Board and key management personnel*

The RC members are familiar with executive compensation matters as they manage their own businesses and/or are holding directorships in the boards of other listed companies. The RC has access to appropriate external expert advice in the field of executive compensation if necessary.

*Guideline 7.3 of the Code: RC to seek expert advice*



## CORPORATE GOVERNANCE REPORT (cont'd)

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Directors and key management personnel. The RC will obtain advice from external consultants for benchmarking, where necessary.

*Guideline 7.4 of the Code: RC to review the Company's obligations in event of termination of executive directors and key management personnel*

### Level and Mix of Remuneration

**Principle 8:** *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.*

#### **Our Policy and Practices:**

The Company has a staff remuneration policy which comprises a fixed component and a variable component. The fixed component comprises basic salary plus other fixed allowances. The variable component is linked to the performance of the Company and the individual. In the financial year ended 31 December 2015, variable or performance related income/bonus made up 24.0% to 31.0% of the total remuneration of each Director. The remuneration package is designed to enable the Company to stay competitive and allows the Company to better align executive compensation with shareholder value creation.

*Guideline 8.1 of the Code: Package should align Executive Directors' interest with shareholders' interest*

In setting remuneration packages, the RC ensures that the Directors are adequately but not excessively remunerated as compared to the employment conditions in the industry and in comparable companies. The Company benchmarks the Directors' annual fixed salary at the market median with the variable compensation being performance driven.

Currently, the Company does not have any long-term incentive schemes.

*Guideline 8.2 of the Code: Long-term incentive schemes are encouraged*

All Independent and non-Executive Directors have no service agreements with the Company. They are paid Directors' fees, which are proposed by the Board based on the effort, time spent and responsibilities of the Independent Directors. The Directors' fees are subject to approval by the shareholders at each AGM of the Company. Except as disclosed, the Independent and non-Executive Directors do not receive any remuneration from the Company.

*Guideline 8.3 of the Code: Remuneration of non-executive directors dependent on contribution, effort, time spent and responsibilities*



The RC has reviewed and approved the service agreements of all the Executive Directors. Each of the Executive Directors has a formal service agreement which is automatically renewed on a yearly basis. There are no excessively long or onerous removal clauses in these service agreements. The service agreements may be terminated by the Company giving the Executive Director one month's notice in writing, or in lieu of notice, payment of one month's salary based on the Executive Director's last drawn salary. Executive Directors are not paid directors' fees.

*Guidelines 8.4 of the Code: To consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors*

There are no termination or retirement benefits that are granted to the Directors. The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

### **Disclosure on Remuneration**

**Principle 9:** *Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

#### **Our Policy and Practices:**

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top five key management personnel (who are not Directors of the Company) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Corporate Governance Report and in the financial statements of the Company.

*Guidelines 9.1, 9.2 and 9.3 of the Code: Remuneration of Directors and top 5 key management personnel*

To maintain the confidentiality of the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual Director and key management personnel.

A breakdown showing the level and mix of each individual Director's remuneration in the financial year ended 31 December 2015 is as follows:

# CORPORATE GOVERNANCE REPORT (cont'd)

The level and mix of remuneration of each of Directors for the financial year ended 31 December 2015

| Remuneration Band & Name of Director | Base/fixed salary * | Variable or performance related income/bonuses | Directors' fees ** | Directors' Allowance | Benefits-in-kind | Total |
|--------------------------------------|---------------------|--|--------------------|----------------------|------------------|-------|
| <b>\$500,000 to \$749,999</b>        |                     |  |                    |                      |                  |       |
| Mr Or Kim Peow                       | 60%                 | 24%  | –                  | 13%                  | 3%               | 100%  |
| <b>\$250,000 to \$499,999</b>        |                     |  |                    |                      |                  |       |
| Mr Or Toh Wat                        | 55%                 | 30%  | –                  | 12%                  | 3%               | 100%  |
| Mdm Ang Beng Tin                     | 55%                 | 31%  | –                  | 12%                  | 2%               | 100%  |
| Mr Or Kiam Meng                      | 55%                 | 30%  | –                  | 12%                  | 3%               | 100%  |
| Mr Oh Enc Nam                        | 56%                 | 31%  | –                  | 13%                  | –                | 100%  |
| Mr Or Lay Huat Daniel                | 55%                 | 31%  | –                  | 13%                  | 1%               | 100%  |
| <b>Below \$250,000</b>               |                     |  |                    |                      |                  |       |
| Dr Chen Seow Phun, John              | –                   | –  | 100%               | –                    | –                | 100%  |
| Mr Nirumalan s/o V Kanapathi Pillai  | –                   | –  | 100%               | –                    | –                | 100%  |
| Mr Tan Boen Eng                      | –                   | –  | 100%               | –                    | –                | 100%  |

**Notes:**

\* Inclusive of Central Provident Fund contributions

\*\* These fees are subject to the approval of the shareholders at the forthcoming AGM

\*\*\* The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

The Group has three key management personnel (who are not Directors of the Company).

A breakdown showing the level and mix of the three key management personnel (who are not Directors of the Company) in the financial year ended 31 December 2015 is as follows:

The level and mix of remuneration of each of the key management personnel for the financial year ended 31 December 2015

| Remuneration Band & Name of Key Executive | Base/fixed salary * | Variable or performance related income/bonuses | Benefits-in-kind | Total |
|---|---------------------|--|------------------|-------|
| <b>Below \$250,000</b>                    |                     |  |                  |       |
| Ms Ong Wei Wei                            | 71%                 | 25%  | 4%               | 100%  |
| Mr Or Yew Whatt <sup>(1), (3)</sup>       | 64%                 | 35%  | 1%               | 100%  |
| Mr Oh Kim Poy <sup>(2), (3)</sup>         | 70%                 | 29%  | 1%               | 100%  |

\* Inclusive of allowances and Central Provident Fund contributions

\*\*\* The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

(1) Mr Or Yew Whatt is the nephew of Mr Or Kim Peow, the Group Chairman and the brother of Mr Oh Enc Nam, the Executive Director.

(2) Mr Oh Kim Poy is the brother of Mr Or Kim Peow, the Group Chairman.

(3) Both Mr Or Yew Whatt and Mr Oh Kim Poy are directors of a subsidiary of the Company.

The total remuneration paid to the above key management personnel for the financial year ended 31 December 2015 was \$669,810 (FY2014: \$651,754).



Save as disclosed above, there was no employee of the Company and its subsidiary corporations who was an immediate family member of a Director and whose remuneration exceeded \$50,000 during the financial year ended 31 December 2015. "Immediate family member" means spouse, child, adopted child, step-child, brother, sister and parent. To maintain the confidentiality of the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to disclose the remuneration of each employee who was an immediate family member of a Director in bands of \$50,000.

*Guideline 9.4 of the Code: Disclosure of remuneration of employees who are immediate family members of Director and whose remuneration exceeds \$50,000*

Currently, the Company does not have any employee share schemes.

*Guideline 9.5 of the Code: Details of employees share schemes*

Executive Directors do not receive directors' fees. The Company advocates a performance-based remuneration system for Executive Directors and key management personnel that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus which is based on the Group's performance and the individual's performance, such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

*Guideline 9.6 of the Code: To disclose information on the link between remuneration paid to the Executive Directors and key management personnel, and performance.*

For the financial year ended 31 December 2015, all the Executive Directors were entitled to receive the incentive bonuses under their respective service agreements according to the performance conditions met.

### 3. ACCOUNTABILITY AND AUDIT

#### Accountability

**Principle 10:** *The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.*

#### **Our Policy and Practices:**

The Board has always believed that it should conduct itself in ways that deliver maximum sustainable value to the shareholders. The Board promotes best practices as a means to build an excellent business for the shareholders. The Board is accountable to shareholders for the Company's performance.

*Guideline 10.1 of the Code: Board's responsibility to provide balanced, understandable assessment of Company's performance and position on interim basis*

Prompt fulfilment of statutory reporting requirements is but one way to maintain the shareholders' confidence and trust in the Board's capability and integrity. The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, press releases and the Company's website. The Board will review and approve the financial reports before their release. The Board will also review and approve any press releases concerning the Company's financial results. The Company's Annual Report is available on request and accessible on the Company's website.



## CORPORATE GOVERNANCE REPORT (cont'd)

The Board reviews operational and regulatory compliance reports from the Management to ensure compliance with all of the Group's operational practices and procedures and relevant regulatory requirements.

*Guideline 10.2 of the Code: Board to take adequate steps to ensure compliance with legislative and regulatory requirements*

The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis. Furthermore, the Management has been providing all the Executive Directors (who represent more than 60 per cent of the Board) with monthly consolidated financial reports. However, such monthly consolidated financial reports may not always be reflective of the true and fair view of the financial position of the Group.

*Guideline 10.3 of the Code: Management should provide Board with management accounts on a monthly basis*

### **Risk Management and Internal Controls**

**Principle 11:** *The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

#### **Our Policy and Practices:**

The Board is responsible for the governance of risk and sets the direction for the Group in the way risks are managed in the Group's businesses. In addition, the Company's approach to risk management is set out in the "Risk Assessment and Management" section on pages 105 to 115 of this Annual Report.

*Guideline 11.1 of the Code: Board to determine the Company's levels of risk tolerance and risk policies*

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems. In addition, the Board sets the appropriate risk tolerance limits for each risk by considering the relative importance of the objectives.

The AC reviews the adequacy of the Group's risk management framework and internal control systems including financial, operational, compliance and information technology controls on an annual basis. In August 2012, the AC also engaged an external risk management consultant, Nexia TS Risk Advisory Pte Ltd, to conduct an independent review of the effectiveness and adequacy of the Group's risk management policies and processes and make recommendations to enhance the internal controls over the risk management processes.

*Guideline 11.2 of the Code: Board to review adequacy of risk management and internal control systems*



On an annual basis, the internal auditor will conduct a review of the risks identified by the external risk consultants. Any material non-compliance or lapses in internal controls, together with recommendations for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, major control weaknesses on financial reporting, if any, are highlighted by the external auditor in the course of their statutory audit.

*Guideline 11.3 of the Code: Board to comment on the adequacy and effectiveness of the internal controls*

The Management has made reference to the report prepared in August 2012 and reported to the AC for the financial year ended 31 December 2015, on the Group's risk profile, the status of the risk mitigation action plans and updates on the following areas:

- Description of the procedures and systems in place to identify and assess risks to the Group's businesses;
- Identify the gaps in the risk management processes and action plans to address the gaps; and
- Plan/actions undertaken by the Management to manage the key risk areas.

Based on (i) the Group's framework of risk management control; (ii) the internal control policies and procedures established and maintained by the Group; (iii) the work performed by the internal and external auditor; (iv) the written confirmation from the Group MD and the Group Financial Controller that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective, the Board, with the concurrence of the AC, is satisfied with the adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management systems, as at 31 December 2015.

*SGX Listing Rule 1207 (10)*

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC. The AC engaged an external risk management consultant, Nexia TS Risk Advisory Pte Ltd, to assist in carrying out its responsibility.

*Guideline 11.4 of the Code: Board to assess appropriate means to assist in carrying out its responsibility of overseeing the Company's risk management framework and policies*

### **Audit Committee**

**Principle 12:** *The Board should establish an Audit Committee (AC) with written terms of reference which clearly set out its authority and duties.*

#### **Our Policy and Practices:**

The AC of the Company was formed on 10 July 2002 and comprises entirely Independent Directors, namely:

Dr Chen Seow Phun, John (Chairman)  
Mr Nirumalan s/o V Kanapathi Pillai (Member)  
Mr Tan Boen Eng (Member)

*Guideline 12.1 of the Code: AC should comprise at least three directors, all non-executive, and the majority of whom, including the Chairman, are independent*



## CORPORATE GOVERNANCE REPORT (cont'd)

The AC members were selected based on their expertise and prior experience in the area of financial management. Dr Chen Seow Phun, John is a businessman. Mr Nirumalan s/o V Kanapathi Pillai is the Senior Director of a law firm and Mr Tan Boen Eng is a certified public accountant by profession. The Board is of the view that all members of the AC have the relevant accounting or related financial management expertise and experience to discharge their responsibilities as members of the AC.

*Guideline 12.2 of the Code: Board to ensure AC members are qualified*

The AC is authorised to investigate any matter within its terms of reference, and has full access to, and cooperation of, the Management. The AC has full discretion to invite any Director or executive officer to attend its meetings, as well as access to reasonable resources to enable it to discharge its functions properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the independent auditor.

*Guideline 12.3 of the Code: AC to have explicit authority to investigate and have full access to Management and reasonable resources*

The AC met four times in the financial year ended 31 December 2015 and the Executive Directors were invited to attend the meetings.

The AC has written terms of reference that are approved by the Board and clearly set out its responsibilities. The AC carries out its functions in accordance with the Companies Act and the Code. The key terms of reference of the AC are as follows:

*Guideline 12.4 of the Code: Duties of AC*

- To review audit plans of the Company's external auditor and internal auditor, including the results of the external and internal auditor's review and evaluation of the Group's system of internal controls;
- To review the annual consolidated financial statements and the external auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with relevant financial reporting standards, concerns and issues arising from their audits including any matters which the auditor may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- To review the cooperation given by the Management to the external auditor;
- To ensure that the internal audit function is adequately resourced and review the adequacy and effectiveness of the internal audit function at least annually;
- To review the cost effectiveness of the external audit, and where the external auditor provide non-audit services to the Company, to review the nature, extent and costs of such services and the independence and objectivity of the external auditor;
- To review the periodic consolidated financial statements of the Group before submission to the Board for approval for release of the results announcement to the SGX-ST;
- To recommend to the Board the appointment, re-appointment or removal of the external auditor and approve the remuneration and terms of engagement of the external auditor; and
- To review all interested person transactions to ensure that each has been conducted on an arm's length basis.

The AC met with the external auditor four times during the financial year ended 31 December 2015 and once in February 2016 without the presence of the Management. These meetings enable the external auditor to raise issues encountered in the course of their work directly to the AC. The AC also met with the internal auditor without the presence of the Management once during the financial year ended 31 December 2015.

*Guideline 12.5 of the Code: AC to meet external and internal auditor without the presence of management, annually*



The AC has reviewed and is satisfied with the standard of the external auditor's work. The fees paid/payable by the Company to the external auditor for audit and non-audit services amounted to \$134,000 (2014:\$135,000) and \$31,520 (2014:\$30,300) respectively. The AC has undertaken a review of all non-audit services provided to the Company by the external auditor and, in the AC's opinion, they would not affect the independence of the external auditor. As such, the AC has recommended the re-nomination of the external auditor.

*Guideline 12.6 of the Code: AC to review independence of external auditors annually*

Some of the joint venture companies and associated companies of the Group are being audited by independent auditor other than those of the Company. The AC is satisfied that the scope of the audit performed by these other independent auditor is adequate.

The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditor.

#### Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy in December 2006 to provide employees with an avenue to raise concerns about possible improprieties in financial reporting or other matters, and the AC is satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

*Guideline 12.7 of the Code: AC to review arrangements for staff to raise concerns/ possible improprieties to AC*

Following the implementation of the whistle-blowing policy, a set of fraud policy which was reviewed by the AC and approved by the Board, was issued to assist the AC in managing allegations of fraud, corruption, dishonest practices or other misconduct which may be made, so that:

- (a) All cases reported are objectively investigated, treated fairly and, to the extent possible, be protected from reprisal;
- (b) Appropriate remedial measures are taken where warranted; and
- (c) Appropriate action is taken to correct the weaknesses in the existing system of internal processes and policies which allowed the perpetration of the fraud and/or misconduct, and to prevent a recurrence.

A whistle-blower email address is created for reporting suspected fraud, corruption, dishonest practices or other similar matters. Details of the whistle-blowing policies and arrangements have been made available to all employees of the Company.

The external auditor present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on the financial statements before an audit commences. During the financial year ended 31 December 2015, the changes in accounting standards did not have any significant impact on the Company's financial statements.

*Guideline 12.8 of the Code: AC to keep updated on changes to accounting standards*

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

*Guideline 12.9 of the Code: Director of Company's existing auditing firm should not act as member of the AC*



## CORPORATE GOVERNANCE REPORT (cont'd)

### Internal Audit

**Principle 13:** *The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

#### **Our Policy and Practices:**

The AC selects and approves the appointment of the internal auditor (IA). The Company has outsourced its internal audit function to HLS Risk Advisory Services Pte Ltd during the financial year ended 31 December 2015. The IA reports directly to the AC and has full access to all the Company's documents, records, properties and personnel.

*Guideline 13.1 of the Code: IA to report to AC Chairman*

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Company's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures. The role of the IA is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

*Guideline 13.2 of the Code: AC to ensure internal audit function is adequately resourced*

The AC is satisfied that the IA is staffed by suitably qualified and experienced personnel.

*Guideline 13.3 of the Code: Internal audit function staffed with relevant experienced personnel*

The AC had reviewed and approved the internal audit plan and reviewed the results of the internal audit. The AC is satisfied that the internal audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

*Guideline 13.4 of the Code: IA should meet standards set by internationally-recognised professional bodies*

The internal auditor plans its internal audit schedules in consultation with, but independent of, the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work.

*Guideline 13.5 of the Code: AC to ensure adequacy and effectiveness of the internal audit function*

The AC reviews the activities of the internal auditor on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. During the year, the IA adopted a risk-based approach with the overall objective to focus on control weaknesses which had been highlighted by Nexia TS Risk Advisory Pte Ltd, the external risk management consultant, who had been engaged by the Company in 2012 to conduct an independent review of the effectiveness and adequacy of the Group's risk management policies and processes. The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

#### 4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

##### Shareholder Rights

**Principle 14:** *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

##### **Our Policy and Practices:**

The Company believes in regular and timely communication with shareholders as part of its organisational development to provide clear and fair disclosure of information about the Group's business developments and financial performance which would have a material impact on the share price or value of the Company. All shareholders are treated fairly and equitably. To facilitate the exercise of shareholders' rights, the Company ensures that all information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET.

*Guideline 14.1 of the Code: To facilitate the exercise of ownership rights by all shareholders*

Shareholders are informed of general meetings through notices published in the newspapers and reports or circulars sent to all shareholders and via the Company's website. The Company encourages shareholders' participation during the general meetings. Shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

*Guideline 14.2 of the Code: Company to ensure the shareholders have the opportunity to participate effectively in and vote at general meetings*

A shareholder who is unable to attend the general meetings is entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

*Guideline 14.3 of the Code: Company to allow certain corporations to appoint more than two proxies*

##### Communication with Shareholders

**Principle 15:** *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

##### **Our Policy and Practices:**

The Company has a dedicated Investor Relations (IR) team which regularly communicates with shareholders, analysts or investors through e-mail communication and telephone to update them on the latest corporate development and at the same time address their queries. For details on the Group's IR activities, please refer to the IR section on pages 76 to 80 of this Annual Report.

*Guidelines 15.1 and 15.2 of the Code: Company to devise an effective investor relations policy to regularly convey pertinent information to shareholders and disclose information on a timely basis through SGXNET*

## CORPORATE GOVERNANCE REPORT (cont'd)

The Board is mindful of the obligation to provide shareholders with information on all major developments that affect the Group in accordance with the SGX-ST's listing rules. Information is communicated to shareholders on a timely basis through:

- Annual reports that are prepared and issued to all shareholders within the mandatory period;
- SGXNET and the media;
- The Company's website at <http://www.okph.com>; and
- Online Q&A forum via the investor relations channel on the financial portal at <http://www.shareinvestor.com>.

The Company's IR team communicates with the shareholders and analysts on a regular basis and attends to their queries or concerns. The Company provides an email address for shareholders or analysts at [okpir@okph.com](mailto:okpir@okph.com) and contact details of the IR team via the Company's website. During the financial year ended 31 December 2015, the Company received a number of email enquiries from shareholders, investors and analysts which were attended to within a stipulated period.

*Guideline 15.3 of the Code: Company to establish and maintain regular dialogue with shareholders*

The Company holds post-results briefings with analysts to announce the full year financial results annually. The key management team which includes the Group MD, an Executive Director and the Group Financial Controller avail themselves to meet analysts after the release of the Group's full year results. Outside of the financial results announcement periods, where necessary and appropriate, the Management would also meet analysts and fund managers who seek a better understanding of the Group's operations. In addition, the Management also conduct media interviews to give shareholders and the public deeper insights of the Group's business and management thinking when opportunities present themselves.

*Guideline 15.4 of the Code: Steps that the Company takes to solicit and understand the views of the shareholders*

### Dividend policy

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

*Guideline 15.5 of the Code: Companies are encouraged to have a dividend policy*

Over the past five years, the Group has declared total annual dividends at the rate of approximately 12.5% to 47.8% of the net profit after tax based on the audited consolidated financial statements. Any dividend payments are clearly communicated to shareholders via announcements on SGXNET.

### Conduct of Shareholder Meetings

**Principle 16:** *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.*

### **Our Policy and Practices:**

The Company strives to maintain a high standard of transparency and to promote better investor communications. The Board supports active shareholder participation at AGMs and extraordinary general meetings and views such general meetings as the principal forum for dialogue with shareholders. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The full Annual Report is despatched to all shareholders and is also available on the Company's corporate website or upon request. Notices of general meetings will also be published in the Business Times and/or other newspapers.

*Guideline 16.1 of the Code: Shareholders should be allowed to vote in absentia*



The Company believes in encouraging shareholder participation at general meetings. The Articles of Association of the Company allow a shareholder to appoint up to two proxies to attend and vote in his or her place at general meetings. A shareholder who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

*Guideline 16.2 of the Code: Company should avoid "bundling" resolutions*

The Group Chairman, Group MD, Directors, Group Financial Controller and Company Secretary are in attendance at AGMs to take questions and feedback from shareholders. The members of the AC, NC and RC are also present at AGMs to answer questions relating to the work of these committees. The external auditor, Nexia TS Public Accounting Corporation, are also invited to attend AGMs and will assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditor's report.

*Guideline 16.3 of the Code: Committee Chairman and external auditor to be present at AGM*

The Company prepares minutes of general meetings and makes these minutes of the discussion at the general meetings available to shareholders upon their request.

*Guideline 16.4 of the Code: Minutes to be available to shareholders*

The Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages after the conclusion of the AGM.

*Guideline 16.5 of the Code: Company to put all resolutions to vote by poll*

## 5. SECURITIES TRANSACTIONS

The Company has adopted an Internal Code of Conduct on Dealing in the Company's securities. The Code has been modelled according to Rule 1207(19) of the Listing Manual of the SGX-ST.

Directors and all key executives are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's quarterly results or one month before the announcement of the Company's full year results, and ending on the date of the announcement of the results. Directors and all key executives are also reminded to be mindful of the law on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, and the Companies Act.

## 6. MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that there were no material contracts of the Group involving the interests of any Director or controlling shareholder, either still subsisting at the end of financial year ended 31 December 2015 or if not then subsisting, entered into since the end of the financial year ended 31 December 2014.



## CORPORATE GOVERNANCE REPORT (cont'd)

### 7. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons and has procedures established for the review and approval of the Group's interested person transactions.

The AC meets quarterly to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board will ensure that the Company complies with the requisite rules under Chapter 9 of the SGX-ST Listing Manual on interested person transactions.

There was no interested person transaction, as defined in Chapter 9 of the SGX-ST Listing Manual, above \$100,000 entered into by the Group during the financial year ended 31 December 2015.

### 8. UTILISATION OF PROCEEDS

Exercise of 61,139,186 warrants at \$0.20 for each share as at 4 January 2013 raising net proceeds of \$12.22 million.

| Use of proceeds                                       | Amount allocated<br>(\$'million) | Amount utilised<br>(\$'million) | Balance amount<br>(\$'million) |
|---|----------------------------------|---------------------------------|--------------------------------|
| To be used as general working capital for the Company | 12.22                            | 10.72                           | 1.50                           |

The amount of \$10.72 million had been utilised to fund the investment in and the loan to CS Amber Development Pte Ltd, an associated company of the Group.

The unutilised proceeds are deposited with a bank pending deployment. The above utilisation of net proceeds is consistent with the disclosure made in the SGXNET announcement.

# RISK ASSESSMENT AND MANAGEMENT

Risks are inherent in all business enterprises, and therefore, managing risks is a vital aspect of business management. At OKP, we actively monitor and manage our exposure to risks relating to our industry. We are committed to strengthening our risk management framework in order to provide reasonable assurance that risks are minimised. We do this by pro-actively ensuring the integrity of our financial reporting, integrating management control into daily operations, and ensuring compliance with legal requirements.

Like many business enterprises, the Group faces various risks arising from economic, market, business, financial and political factors and developments. We believe in managing our risks holistically. As such, our management has put in place various risk management policies and procedures to manage and mitigate the risks arising from the normal course of operations. We review our risk management and mitigation plans regularly to ensure that OKP responds readily to any change in market conditions and the activities of the Group.

We have identified the following 25 risks that we face and explain below how we address them:

| No                                    | Description of Risks  | Our Risk Management   |
|---------------------------------------|---|---|
| <b>Risks Relating to Our Industry</b> |   |   |
| 1.                                    | <p><b>Dependence on the construction industry in Singapore</b></p> <p>We are exposed to cyclical fluctuations in the economy as the construction business depends largely on the health of the infrastructure market in Singapore. This is in turn subject to the general health of the Singapore economy. An economic downturn could dampen general sentiments in the infrastructure market and reduce construction demand. This would invariably have an adverse effect on our business and financial performance.</p>  | <p>The Singapore market has remained our primary source of revenue since our inception. The prevailing general economic, political, legal and social conditions would affect our financial performance and operations. As a major part of our revenue is derived from public sector projects, we would be likely to benefit from any pump priming by the Government. On the other hand, the reverse is also true and any move by the Government to scale back on expenditure relating to road construction and maintenance could have a negative effect on our business. We seek to diversify our earnings in order to mitigate against our dependence on Government spending in Singapore.</p> |
| 2.                                    | <p><b>Impact from changes to applicable government policies</b></p> <p>Our services mainly relate to building safety and design standards in connection with the construction of infrastructure projects such as roads and expressways. Any change to the laws, regulations and policies affecting the construction industry, including the infrastructure market in Singapore, may affect our business and operations.</p> <p>As we operate in Singapore, we are subject to the laws and regulations of the land and any change in government regulations in the course of a project, for example, increasing controls over worksite safety and building standards could result in our Group incurring additional costs to comply with the new regulations. Also any changes in government regulations or policies of those countries where our suppliers are located may affect the supply of construction materials and cause disruptions to the operations of our Group. All these could have an adverse effect on our project costs and financial performance.</p> | <p>To mitigate these risks, we would send our project staff regularly for training to keep them updated on changes in government regulations or policies in Singapore and other relevant countries, as well as on new safety and building standards imposed by the regulatory authorities or clients.</p>   |

# RISK ASSESSMENT AND MANAGEMENT (cont'd)

| No                                    | Description of Risks   | Our Risk Management   |
|---------------------------------------|--|---|
| <b>Risks Relating to Our Industry</b> |  |   |
| 3.                                    | <p><b>Guidelines and regulations by the Building and Construction Authority (BCA)</b></p> <p>We are guided and regulated by the BCA that also functions as an administrative body for tenders relating to public sector construction projects. The BCA grading is laid out in the BCA Contractors Registry System (CRS). There are seven major registration heads, namely, Construction Workheads (CW), Construction Related (CR) Workheads, Mechanical &amp; Electrical (ME) Workheads, Maintenance Workheads (MW), Trade Heads (TR), Supply Workheads (SY), and Regulatory Workheads (RW).</p> <p>Within each workhead, there are different financial grades which determine a contractor's eligibility to tender for projects of stipulated values. This is based on the BCA's assessment of the financial health of companies through its credit rating system. The different grades serve as a supplementary indicator of the financial standing of construction firms with those of larger firms accorded the top categories of A1, A2 and B1.</p> <p>Both our wholly-owned subsidiaries, Or Kim Peow Contractors (Pte) Ltd and Eng Lam Contractors Co. (Pte) Ltd, are A1 grade civil engineering contractors, making them eligible for tenders of unlimited values.</p>   | <p>In the event that we are unable to maintain our BCA grading status, our Group would not be able to tender for public projects of the stipulated contract values on the CRS. This could have an adverse impact on our financial performance. However, we have been able to maintain our position over the last several decades. We also continually review our financials and take the necessary measures to improve our financial management where necessary.</p>  |
| 4.                                    | <p><b>Increased competition could adversely affect our competitive position</b></p> <p>Our business is project-based and contracts are generally awarded through a tender process. Most of our projects are undertaken on a non-recurring basis. It is critical that we are able to continuously and consistently secure new projects of similar value and volume. The nature of our business is such that the number and value of projects that we succeed in securing fluctuate from year to year. There is no assurance that we will continue to secure new projects that are profitable.</p> <p>Should we fail to do so, our financial performance will be adversely affected. In addition, as we face increased competition in the tender process, we may be forced to lower our tender prices to secure projects, and this could affect our profit margins.</p> <p>A majority of our projects are secured through open tenders. There is an increase in the number of qualified competitors, including foreign companies entering the Singapore market for the civil engineering projects, thus intensifying competition. If our competitors are more aggressive in pricing or respond faster to changes in market conditions than OKP, this may cause us a loss of tender bids or the lowering of our profit margin to help us stay competitive. Thus, our financial performance and financial conditions may be adversely affected in the face of greater competition.</p> | <p>Price is often cited as a key factor affecting the award of a contract although experience, reputation, availability, equipment and safety record are just as important. We believe that OKP's solid expertise and extensive experience in road construction and road maintenance put us in a strong position to tender competitively for both government and private sector projects.</p> <p>The Group has a long operating history and an excellent track record and over the years, we have shown distinctively that we are able to deliver superior quality, value-added services on time and within budget.</p> |

| No                                    | Description of Risks  | Our Risk Management   |
|---------------------------------------|---|---|
| <b>Risks Relating to Our Industry</b> |   |   |
| 5.                                    | <p><b>Price fluctuations and availability of construction materials</b></p> <p>We are exposed to fluctuations in the prices of construction materials, which include granite, cement, ready-mix concrete, asphalt and reinforced steel bars. Fluctuations in the prices of these construction materials are a function of demand and supply, here and overseas. In addition, changes in government policies or regulations in respect of the construction industry or construction materials may also result in price movements.</p> <p>Should there be a significant increase in the prices of construction materials or should the Group fail to secure the requisite supply of construction materials at reasonable price levels, the Group's business and profitability will be affected.</p>   | <p>We are continually mindful of this risk and are constantly looking for the most competitive pricing from our suppliers for the raw materials we require. Where possible, we would lock in the prices of the raw materials for each project. Otherwise, we would include a fluctuation clause in the contract, granting us the right to adjust raw material prices should a price increase occur in the course of the project. These moves help to limit our exposure in the event of price fluctuations.</p> |
| 6.                                    | <p><b>Dependence on the performance of the property sector</b></p> <p>In Singapore, the property development industry is very competitive, with various small to medium-sized property developers and a few large established players. These developers may have stronger brand names and reputations, larger land banks, more prime land sites and more resources which help them to bid higher prices for more desirable land sites. They may thus undertake more profitable and attractive property development projects.</p> <p>As such, there is no assurance that our Group's business and operations in property development will be sustainable in the long term.</p> <p>We are also subject to various regulatory requirements and government policies in Singapore. To promote and maintain a stable property market, the Government monitors the property market diligently and may introduce new policies, or amend or remove existing policies at any time. If the Government regulates the property market with stringent measures, our operations and financial performance may be adversely affected. There is also no certainty that there will be demand for our projects despite our projections and expectations. This may affect our business objectives and sales target, thus impacting our profitability.</p> | <p>Our core business is still in civil construction and although we are growing the property development business, it is not our key business.</p>  |



## RISK ASSESSMENT AND MANAGEMENT (cont'd)

| No                                    | Description of Risks   | Our Risk Management   |
|---------------------------------------|--|---|
| <b>Risks Relating to Our Industry</b> |  |   |
| 7.                                    | <p><b>Reliance on key personnel to develop and grow our business</b></p> <p>Our continued success is dependent to a large extent on our ability to retain the services of our key employees and to put in place succession plans for young leaders to eventually take over the helm.</p> <p>The management and leadership team at OKP is robust. Our experienced and committed management team comprises our Group Chairman, Mr Or Kim Peow; Group Managing Director, Mr Or Toh Wat; and four Executive Directors – Mdm Ang Beng Tin, Mr Or Kiam Meng, Mr Oh Enc Nam and Mr Or Lay Huat Daniel.</p> <p>Mr Or Kim Peow, who is the founding member of the Group, has more than 56 years of experience in the infrastructure and civil engineering business. He is primarily responsible for overseeing the overall management and strategic development of the Group include determining its strategies and ensuring effective succession planning for all key positions within OKP.</p> <p>Group Managing Director, Mr Or Toh Wat who has more than 24 years' experience in the construction industry, is responsible for effectively managing and supervising the day-to-day business operations in accordance with the strategies, policies and business plans approved by the Board. Mr Or Kiam Meng has more than 30 years and Mr Oh Enc Nam more than 35 years in the construction industry respectively. Mdm Ang Beng Tin has worked for more than 41 years' of experience in administration and human resources.</p> <p>The Group's success and growth now and in the future will also be dependent on its ability to retain the services of our executive team members and key management staff. In the event that OKP loses any of their services without finding timely and suitable replacements, or if we are unable to attract and retain new key staff with relevant qualifications and experience, this will adversely affect our business, financial condition, operational results and prospects.</p> <p>Furthermore, we may lose our business to any of our competitors who have attracted and hired key members of our team, who join them after leaving their positions at OKP. If we need to increase staff compensation in order to attract and retain our existing key employees or hire any additional staff, there would be an adverse impact on our financial performance.</p> | <p>We have included younger members in our management team. For example, Mr Or Lay Huat Daniel, 38 years old, has gained much experience and knowledge since joining the Company in 2003. He is currently responsible for business development and corporate communications.</p> <p>The management is preparing a list of potential successors and is assessing them against a checklist of leadership attributes. Plans are being put in place to develop these candidates via training and development.</p> <p>In addition, we are mindful of providing competitive remuneration and good staff welfare and benefits.</p> |



| No                                    | Description of Risks  | Our Risk Management  |
|---------------------------------------|---|--|
| <b>Risks Relating to Our Industry</b> |   |  |
| 8.                                    | <p><b>Dependence on private sector clientele for a portion of our revenue</b></p> <p>Over the years, we have tapped on the private sector increasingly for projects so as to lessen our reliance on the public sector. Since early 2006, we have undertaken a number of projects in the oil and gas industry in Singapore. This move sees us reducing our dependence on our public sector clientele but it has also increased the uncertainty over the timeliness of collection of trade receivables.</p>   | <p>Our response to this is to adopt a selective approach to our potential clients – favouring those with good credit rating and financial stability – and to apply strict control procedures within a credit approval process.</p>   |
| 9.                                    | <p><b>Liability claims and disputes</b></p> <p>We are exposed to potential claims against defective workmanship, non-compliance with contract specifications or disputes over variations. Should we fail to complete any of the projects, which we undertake within the stipulated timeframes, we could be held liable for liquidated damages. If this occurs, financial compensation may have to be paid to our customers.</p> <p>It is a general practice that we provide customers with retention sums or performance bonds of up to 5 per cent of the contract value. In the event that projects are delayed, or if any claims for defects are made, whether or not they are due to our fault or that of our suppliers or sub-contractors, these retention sums or performance bonds could be forfeited or defaulted.</p> | <p>With this in mind, we spare no effort to ensure that all projects are competently managed to the highest standards. One of the ways we do this is to provide staff with regular and relevant training.</p>  |
| 10.                                   | <p><b>Exposure to cost overruns</b></p> <p>Controlling costs is an important aspect of our business as cost overruns could erode our profit margin for a project. Should this occur, our overall profitability could be affected. The following scenarios are some examples of how a cost overrun could occur:</p> <p>(i) When incorrect estimations of costs are made during the tender stage;<br/>(ii) When unforeseen circumstances such as adverse ground conditions, unfavourable weather conditions or unanticipated construction constraints at the worksite, arise during the course of construction; and/<br/>or (iii) When delays are experienced in the execution of projects.</p>   | <p>As such, cost control measures are carried out at various stages along the entire project execution stage to ensure that the projects are kept well within budget. Careful monitoring and quality assurance checks are also performed vigilantly to ensure that project management risks are alleviated as far as possible. We believe that our people have the right project management expertise to manage the costs related to each project effectively.</p> |

## RISK ASSESSMENT AND MANAGEMENT (cont'd)

| No                                    | Description of Risks   | Our Risk Management  |
|---------------------------------------|--|--|
| <b>Risks Relating to Our Industry</b> |  |  |
| 11.                                   | <p><b>Dependence on foreign workers and exposure to labour shortages or changes in labour policies</b></p> <p>The construction industry is highly labour-intensive and relies on a large number of skilled foreign workers. Supply and demand for such foreign labour are dependent largely on government policies and the general economic health of the host countries.</p> <p>In Singapore, the supply of foreign workers is subject to The policies imposed by the Ministry of Manpower, as well as the policies of the countries in which these workers are domiciled. Changes in labour policies in these countries of origin may influence the supply of foreign labour and increase hiring costs, causing unnecessary disruptions to our operations and resulting in unwanted delays in the completion of projects. Increases in foreign workers' levies would also affect us and may decrease our earnings.</p> | <p>Although we do face big constraints in hiring foreign labour currently, we make every effort to retain those who are currently with us, for example, by enhancing their skills through periodic training and upgrading. In this way, we can also increase our productivity.</p>   |
| 12.                                   | <p><b>Dependence on professional and skilled staff</b></p> <p>The construction industry is dependent on skilled and experienced engineers and project staff to ensure the efficient running of projects onsite. If we fail to retain or face difficulties in hiring people with these competencies, our revenue and profitability may be adversely affected. This problem may be more critical during times when the labour market is tight.</p>   | <p>We continually review our hiring and compensation policies to ensure fair remuneration packages are given to retain skilled staff and attract new recruits.</p>   |
| 13.                                   | <p><b>Excessive warranty claims</b></p> <p>It is a general practice in the construction industry to provide limited warranty for construction projects, which covers defects and any premature wear-and-tear of the materials used. Rectification and repair works covered under such warranties would not be chargeable to customers. In the event that there are disproportionate warranty claims for rectification and repair works, our financial performance would be adversely affected.</p>   | <p>With our strong focus on quality and workmanship, we have not experienced significant warranty claims for the past five financial years.</p>  |
| 14.                                   | <p><b>Financial risks</b></p> <p>The Group's activities expose it to a variety of financial risks, including currency risk, interest risk, credit risk, and liquidity risks. In relation to currency risk, the Group is exposed to foreign exchange risk and currency translation risk on the assets in foreign operations. In relation to interest risk, the Group is also subjected to cash flow and fair value interest rate risks. In the case of credit risk, there is a risk that a counterparty may default on its contract obligations, thus resulting in financial loss to the Group.</p> <p>With regard to liquidity risk, the Group is exposed to such risk of not having sufficient cash or cash equivalents, or not having sufficient amount of committed credit facilities.</p>  | <p>More details on how we manage these risks are found on pages 167 to 175 of the Annual Report (under the Notes to the Financial Statements).</p> <p>To mitigate liquidity risk, we maintain sufficient cash and cash equivalents and ensure that we have an adequate amount of committed credit facilities to enable us to meet our normal operating commitments</p> |



| No                                    | Description of Risks   | Our Risk Management  |
|---------------------------------------|--|--|
| <b>Risks Relating to Our Industry</b> |  |  |
| 15.                                   | <p><b>Liability for delays in the completion of projects, and any liquidated damages and additional overheads arising from such delays</b></p> <p>From time to time, due to unforeseen circumstances and events beyond our control, delays in the completion of a project may occur. These delays include unfavourable weather situation, shortage of construction materials or labour disputes, breakdown of equipment and machinery and insufficient deployment of resources. Government directives for the temporary stoppage of work may also cause project delays.</p> <p>If the completion of our projects is delayed, and especially if the delay is due to our failure, we may be liable to pay liquidated damages under the contract, and face further claims from our customers for damages, thus incurring additional costs. If this happens, there will be an adverse impact on our business operations, financial condition and financial performance. There can be no assurance that there will not be any delays in our existing and future projects, thus resulting in the payment of liquidated damages that may materially affect our financial performance and financial condition.</p> | <p>We have put in place a capable team of project managers to monitor the projects closely so as to ensure the smooth progress of the projects and to ensure that they are constructed on time and within budget.</p>  |
| 16.                                   | <p><b>Industry hazards, especially in the oil and gas industry</b></p> <p>Safety is paramount for all our projects, and this is especially critical in worksites related to the oil and gas industry due to the nature of the operating environment. Our safety controls and guidelines follow strictly to the standards, laws and regulations dictated by clients as well as the regulatory authorities. Our safety policy is based mainly on identifying and applying safe workplace practices at all worksites, for our own as well as sub-contractors' employees. We conduct regular health and safety seminars to inculcate a safety culture for people at all levels, including new recruits, particularly in the first six months of employment.</p> <p>We may be liable for fines and penalties if we breach workplace safety or regulatory requirements and should this come about, our operations and financial performance may be adversely affected.</p>   | <p>We have a pool of dedicated safety and environmental control officers, site engineers and site supervisors, who have the responsibility to ensure that all workers and worksites are well equipped with suitable safety management procedures. Fire safety drills are carried out at least twice a year to ensure that our fire safety staff are prepared at all times and in the event that industrial accidents happen.</p> <p>We are committed to maintaining our high quality standards, enhancing productivity, and improving workplace safety at all times.</p> |



## RISK ASSESSMENT AND MANAGEMENT (cont'd)

| No                                    | Description of Risks   | Our Risk Management  |
|---------------------------------------|--|--|
| <b>Risks Relating to Our Industry</b> |  |  |
| 17.                                   | <p><b>Sub-contracting risks</b></p> <p>We rely on subcontractors to provide services for our projects, including piling, asphalt works, painting, thermoplastic markings, metalworks and traffic signage, landscaping and sewer works. These sub-contractors are selected based on their competitiveness in terms of pricing, our working experience with them and their past performance. We cannot assume that the services rendered by these sub-contractors will continue to be satisfactory or that they will meet our requirements for quality at all times.</p> <p>In the event of any loss or damage which arises from the default of the sub-contractors engaged by us, we, being the main contractor, will nevertheless be liable for our sub-contractors' default. Furthermore, these sub-contractors may experience financial or other difficulties that may affect their ability to carry out the work for which they were contracted, thus delaying the completion of or failing to complete our civil engineering projects or resulting in additional costs for us. Any of these factors would have a material adverse effect on our business, financial condition and results of operations.</p> | <p>We identify good and reliable sub-contractors and minimise risks through checks and referrals. We also make it a point to use reliable subcontractors, especially those with whom we have worked effectively in earlier projects.</p> |
| 18.                                   | <p><b>Liability for any design defects or failure in the civil engineering works</b></p> <p>Generally, we will engage the services of external consultants such as architects and engineers for design-and-build projects. If there are any design defects in the architectural or engineering design of our civil engineering projects due to these external consultants' negligence and through no fault on OKP's part, although we had exercised reasonable degree of skill and care as the main contractor, we may still be liable to the customer under the contract for such failures.</p> <p>As at 31 December 2015, we have not been made liable for any liabilities arising from any defect in the projects' design, although there is no assurance that such liability will not arise in the future. If customers were successful in obtaining a court judgment or an arbitration award against us for claims on the grounds of design defects, such claims may adversely impact our financial performance and financial condition.</p>  | <p>We make it a priority to work with reputable architects and engineers, especially those whom we have worked with for a long time or have been referred to us.</p>   |



| No                                    | Description of Risks  | Our Risk Management  |
|---------------------------------------|---|--|
| <b>Risks Relating to Our Industry</b> |   |  |
| 19.                                   | <p><b>Accidents at our construction sites</b></p> <p>Even though we emphasise and have put in place safety measures, accidents may occur at the construction sites for our projects due to the nature of our business. Such mishaps may severely disrupt our operations at the construction sites, and thus, lead to a delay in the completion of a project. This may result in liquidated damages under the contract with our customers.</p> <p>Such accidents may also subject us to claims from workers or other persons involved in such mishaps for damages suffered by them. If there are any significant claims which are not covered by our insurance policies, these claims for liquidated damages by customers may have a material adverse impact on our business operations and financial performance.</p> | <p>We have a team of experienced safety personnel onsite who monitor closely the construction sites to ensure that workers comply with all safety standards.</p>   |
| 20.                                   | <p><b>Insurance coverage may not be adequate</b></p> <p>Due to fire, theft and natural disasters such as floods, we may face the risk of loss or damage to our properties, machinery and building materials. Such events may cause a cessation in our operations at the construction sites.</p>   | <p>We have put in place various insurance policies such as those covering losses including workmen compensation insurance, insurance relating to group hospitalisation and surgical insurance, insurance relating to all risks machinery and equipment, fire insurance, motor vehicle insurance and contractor's all-risks insurance. If such loss or damage exceeds the insurance coverage or is not covered by the insurance policies which we have taken up, we may still be liable to cover the shortfall in the amounts being claimed. Thus, such a situation may adversely impact our financial performance.</p> |
| 21.                                   | <p><b>Delays in finalisation of the value of additional works under variation orders and in certification of completed works by our customers</b></p> <p>In the course of our projects, we may be instructed and may perform additional works under variation orders before finalisation of the charges for such additional works. As a result, we may have to pay upfront to our suppliers and sub-contractors to carry out these additional works even though our customers may not have paid us. Thus, this may adversely affect our operating cash flow.</p>  | <p>We have a team of site staff to monitor the progress of additional works under variation orders as required by our customers. This ensures that works under variation orders are actually documented to avoid disputes.</p>   |



# RISK ASSESSMENT AND MANAGEMENT (cont'd)

| No                                    | Description of Risks  | Our Risk Management   |
|---------------------------------------|---|---|
| <b>Risks Relating to Our Industry</b> |   |   |
| 22.                                   | <p><b>Performance bond guarantee</b></p> <p>Our ability to secure new projects may depend on us being able to secure performance bond guarantees and other bank facilities.</p> <p>In line with industry practice, certain projects in which we act as the main contractor require a performance bond from a bank to guarantee our contractual performance in the project. Generally, the performance bond covers up to approximately 5.0 per cent of the project's contract value. If we default in our contractual obligations, the project owner would be entitled to call on the bond with the bank and our liquidity and financial position may be adversely affected.</p> <p>For the review period, we have not encountered any problems securing performance bonds for our projects. We have also provided corporate guarantees to secure performance bonds from banks for our ongoing projects. There is no assurance that we can continue to secure performance bonds for our new projects in the future or secure them at favourable terms. If we are unable to secure performance guarantees from our banks, we may be unable to secure new projects, and this would have a material adverse effect on our revenue and profitability.</p>  | <p>We seek to build good rapport with and win support from our banks so that they will provide sufficient bankers' guarantees to support newly awarded projects</p>   |
| 23.                                   | <p><b>Successful bidding</b></p> <p>Our financial performance is dependent on our successful bidding for new projects and the non-cancellation of secured projects.</p> <p>As most of our projects are undertaken on a non-recurring basis, we need to continuously and consistently secure new projects of similar value and volume. There is no assurance that we will be able to do so. And if we are not able to secure such new projects on favourable terms and conditions, this would adversely impact on our financial performance. In addition, the scope of work in a project will affect our profit margin and our financial performance. If we are to subcontract a material portion of the project work to a third party subcontractor, our profit margin from such project may be reduced.</p> <p>Cancellation or delay in commencing secured projects due to changes in our customers' businesses, poor market conditions and lack of funds by the project owners may adversely affect us. There may also be a lapse of time between a project's completion and the commencement of a subsequent project. Such disruptions could lead to idle or excess capacity. If we are unable to secure replacement projects on a timely basis, the idle or excess capacity may adversely affect our business and financial conditions.</p> | <p>We have a team of experienced project directors, project managers and quantity surveyors, who are committed to analyzing and reviewing tender documents. We also have suppliers and subcontractors who provide us with competitive prices for their quality products and services.</p> |



| No                                    | Description of Risks   | Our Risk Management  |
|---------------------------------------|--|--|
| <b>Risks Relating to Our Industry</b> |  |  |
| 24.                                   | <p><b>Risk associated with joint ventures</b></p> <p>We are subject to risks associated with joint ventures.</p> <p>We expect that we may, as a matter of business strategy, from time to time enter into construction projects through the formation of joint ventures. These joint ventures involve a certain amount of business risks such as the inability or unwillingness of joint venture partners to fulfill their obligations under the joint venture agreements (if any). There is no assurance that we will not, in the future, encounter such business risks which, if financially material, will have an adverse effect on our business operations, financial performance and financial condition.</p>  | <p>We have our legal advisor to review all our agreements and ensure the company is well-protected against risks such as defaults by joint venture partners.</p>   |
| 25.                                   | <p><b>General risk associated with doing business outside Singapore</b></p> <p>We currently have a representative office in Jakarta, Indonesia. We are also exploring opportunities to extend our reach beyond Singapore. There are risks inherent in doing business overseas, such as unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainty, tariffs and other trade barriers, variable and unexpected changes in local law and barriers to the repatriation of capital or profits, any of which could materially affect our overseas operations and consequently, our business, results of operations and financial condition.</p> | <p>We recognise that there are risks inherent in business environments outside of Singapore. However, we have had operations outside of Singapore for many years and we strive to mitigate such risks as much as practically possible. Our senior management also monitors the regulatory environment of overseas operations closely and with the support of our legal advisor, we review all our agreements closely to ensure the company is well-protected against risks such as defaults by clients, partners or sub-contractors.</p> |



# FINANCIAL STATEMENTS

|  |     |
|--|-----|
| Directors' Statement                           | 117 |
| Independent Auditor's Report                   | 120 |
| Balance Sheets                                 | 121 |
| Consolidated Statement of Comprehensive Income | 122 |
| Consolidated Statement of Changes in Equity    | 123 |
| Consolidated Statement of Cash Flows           | 124 |
| Notes to the Financial Statements              | 125 |
| Letter to Shareholders                         | 180 |
| Statistics of Shareholdings                    | 193 |
| Notice of Annual General Meeting               | 195 |
| Proxy Form                                     |     |

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 121 to 179 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Or Kim Peow  
Or Toh Wat  
Ang Beng Tin  
Or Kiam Meng  
Oh Enc Nam  
Or Lay Huat Daniel  
Chen Seow Phun, John  
Nirumalan s/o V Kanapathi Pillai  
Tan Boen Eng

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

|                               | Holdings registered in name of director |          |           | Holdings in which director is deemed to have an interest |             |             |
|-------------------------------|---|----------|-----------|--|-------------|-------------|
|                               | As at                                   | As at    | As at     | As at  | As at       | As at       |
|                               | 31.12.2015                              | 1.1.2015 | 21.1.2016 | 31.12.2015   | 1.1.2015    | 21.1.2016   |
| <b>The Company</b>            |   |          |           |  |             |             |
| <u>No. of ordinary shares</u> |   |          |           |  |             |             |
| Or Kim Peow                   | 757,000                                 | 757,000  | 757,000   | 168,566,910  | 168,566,910 | 168,566,910 |
| Or Toh Wat                    | 322,000                                 | 322,000  | 322,000   | –  | –           | –           |
| Ang Beng Tin                  | 323,500                                 | 323,500  | 323,500   | –  | –           | –           |
| Or Kiam Meng                  | 322,000                                 | 322,000  | 322,000   | –  | –           | –           |
| Oh Enc Nam                    | 133,000                                 | 133,000  | 133,000   | –  | –           | –           |
| Or Lay Huat Daniel            | 322,000                                 | 322,000  | 322,000   | –  | –           | –           |
| Chen Seow Phun, John          | –                                       | –        | –         | 38,000   | 38,000      | 38,000      |

# DIRECTORS' STATEMENT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (cont'd)

|   | Holdings registered in name of director |          |           | Holdings in which director is deemed to have an interest |          |           |
|---|---|----------|-----------|--|----------|-----------|
|   | As at                                   | As at    | As at     | As at  | As at    | As at     |
|   | 31.12.2015                              | 1.1.2015 | 21.1.2016 | 31.12.2015   | 1.1.2015 | 21.1.2016 |
| <b>Immediate and Ultimate Holding Corporation</b> |   |          |           |  |          |           |
| <b>– Or Kim Peow Investments Pte. Ltd.</b>        |   |          |           |  |          |           |
| <u>No. of ordinary shares</u>                     |   |          |           |  |          |           |
| Or Kim Peow                                       | 97,091                                  | 97,091   | 97,091    | –  | –        | –         |
| Or Toh Wat  | 58,255                                  | 58,255   | 58,255    | –  | –        | –         |
| Ang Beng Tin                                      | 60,272                                  | 60,272   | 60,272    | –  | –        | –         |
| Or Kiam Meng                                      | 58,255                                  | 58,255   | 58,255    | –  | –        | –         |
| Oh Enc Nam  | 21,436                                  | 21,436   | 21,436    | –  | –        | –         |
| Or Lay Huat Daniel                                | 58,255                                  | 58,255   | 58,255    | –  | –        | –         |

Mr Or Kim Peow, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have interests in the shares of all the subsidiary corporations.

## SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company or its subsidiary corporations.

As at the end of the financial year, there were no unissued shares of the Company under option.

## AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year were as follows:

Dr Chen Seow Phun, John (Chairman)  
Mr Nirumalan s/o V Kanapathi Pillai  
Mr Tan Boen Eng

All members of the Audit Committee were independent and non-executive directors.

The Audit Committee has written terms of reference that are approved by the Board and clearly set out its responsibilities. The Audit Committee carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act and the Code of Corporate Governance (the "Code"). The key terms of reference of the Audit Committee are as follows:

- To review audit plans of the Company's independent auditor and internal auditor, including the result of the independent and internal auditors' review and evaluation of the Group's system of internal controls;
- To review the annual consolidated financial statements and the independent auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with relevant financial reporting standards, concerns and issues arising from their audits including any matters which the auditor may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- To review the cooperation given by the Management to the independent auditor;

#### **AUDIT COMMITTEE (cont'd)**

- To ensure that the internal audit function is adequately resourced and review the adequacy and effectiveness of the internal audit function at least annually;
- To review the cost effectiveness of the independent audit, and where the independent auditor provide non-audit services to the Company, to review the nature, extent and costs of such services and the independence and objectivity of the independent auditor;
- To review the periodic consolidated financial statements of the Group before submission to the Board for approval for release of the results announcement to the Singapore Exchange Securities Trading Limited ("SGX-ST");
- To recommend to the Board the appointment, re-appointment or removal of the independent auditor and approve the remuneration and terms of engagement of the independent auditor; and
- To review all interested person transactions to ensure that each has been conducted on an arm's length basis

The Audit Committee met with the independent auditor four times during the financial year ended 31 December 2015 and once in February 2016 without the presence of the Management. They also met the internal auditor once in October 2015. These meetings enable the independent auditor and internal auditor to raise issues encountered in the course of their work directly to the Audit Committee.

In addition, the Audit Committee has, in accordance with Chapter 9 of the Listing Manual, reviewed the requirements for approval and disclosure of interested party transactions, reviewed the internal procedures set up by the Company to identify and report and, where necessary, seek approval for interested person transactions and reviewed interested person transactions.

The Audit Committee has undertaken a review of all non-audit services provided to the Company by the independent auditor and they would not, in the Audit Committee's opinion, affect the independence of the auditor.

The Audit Committee has recommended that Nexia TS Public Accounting Corporation be nominated for re-appointment as the Company's independent auditor at the forthcoming Annual General Meeting.

#### **INDEPENDENT AUDITOR**

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

**Or Kim Peow**  
Director

**Or Toh Wat**  
Director

18 March 2016



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# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OKP HOLDINGS LIMITED

## Report on the Financial Statements

We have audited the accompanying financial statements of OKP Holdings Limited (the "Company") and its subsidiary corporations (the "Group") set out on pages 121 to 179, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

**Nexia TS Public Accounting Corporation**  
Public Accountants and Chartered Accountants

**Director-in-charge: Low See Lien**  
Appointed from financial year ended 31 December 2013

Singapore  
18 March 2016

# BALANCE SHEETS

AS AT 31 DECEMBER 2015

|   | Note  | Group              |                    | Company           |                   |
|---|-------|--------------------|--------------------|-------------------|-------------------|
|   |       | 2015<br>\$         | 2014<br>\$         | 2015<br>\$        | 2014<br>\$        |
| <b>ASSETS</b>   |       |                    |                    |                   |                   |
| <b>Current assets</b>   |       |                    |                    |                   |                   |
| Cash and cash equivalents   | 4     | 54,688,659         | 34,009,361         | 3,283,123         | 3,672,422         |
| Trade and other receivables   | 5     | 24,454,316         | 34,112,516         | 6,628,766         | 2,516,903         |
| Construction contract work-in-progress                                    | 6     | 4,238,029          | 5,953,876          | –                 | –                 |
|   |       | <u>83,381,004</u>  | <u>74,075,753</u>  | <u>9,911,889</u>  | <u>6,189,325</u>  |
| <b>Non-current assets</b>   |       |                    |                    |                   |                   |
| Investments in subsidiary corporations                                    | 7     | –                  | –                  | 17,522,234        | 17,522,234        |
| Investments in joint ventures   | 8     | 2,987,987          | 3,262,848          | –                 | –                 |
| Investments in associated companies                                       | 9     | 650,390            | 70,741             | –                 | –                 |
| Investment properties   | 10    | 5,250,000          | 5,140,000          | –                 | –                 |
| Other receivables   | 11    | 24,532,473         | 28,722,099         | 17,844,278        | 17,494,678        |
| Financial assets, available-for-sale                                      | 12    | 990,445            | 995,445            | –                 | –                 |
| Property, plant and equipment   | 13    | 18,205,334         | 18,486,204         | 5,511,510         | 5,830,310         |
| Intangible assets   | 14    | 1,770,860          | 1,828,569          | 20,609            | 15,618            |
|   |       | <u>54,387,489</u>  | <u>58,505,906</u>  | <u>40,898,631</u> | <u>40,862,840</u> |
| <b>Total assets</b>   |       | <u>137,768,493</u> | <u>132,581,659</u> | <u>50,810,520</u> | <u>47,052,165</u> |
| <b>LIABILITIES</b>  |       |                    |                    |                   |                   |
| <b>Current liabilities</b>  |       |                    |                    |                   |                   |
| Trade and other payables  | 15    | 29,314,384         | 31,308,910         | 6,867,168         | 6,316,158         |
| Finance lease liabilities   | 16    | 949,941            | 722,049            | –                 | –                 |
| Current income tax liabilities  | 27(b) | 549,340            | 172,486            | 65,445            | 21,000            |
|   |       | <u>30,813,665</u>  | <u>32,203,445</u>  | <u>6,932,613</u>  | <u>6,337,158</u>  |
| <b>Non-current liabilities</b>  |       |                    |                    |                   |                   |
| Finance lease liabilities   | 16    | 1,637,237          | 1,512,872          | –                 | –                 |
| Deferred income tax liabilities   | 17    | 630,802            | 560,533            | 48,862            | 86,685            |
|   |       | <u>2,268,039</u>   | <u>2,073,405</u>   | <u>48,862</u>     | <u>86,685</u>     |
| <b>Total liabilities</b>  |       | <u>33,081,704</u>  | <u>34,276,850</u>  | <u>6,981,475</u>  | <u>6,423,843</u>  |
| <b>NET ASSETS</b>   |       | <u>104,686,789</u> | <u>98,304,809</u>  | <u>43,829,045</u> | <u>40,628,322</u> |
| <b>EQUITY</b>   |       |                    |                    |                   |                   |
| <b>Capital and reserves attributable to equity holders of the Company</b> |       |                    |                    |                   |                   |
| Share capital   | 18    | 36,832,301         | 36,832,301         | 36,832,301        | 36,832,301        |
| Other reserves  | 19    | 1,348,223          | 1,353,223          | –                 | –                 |
| Retained profits  | 20    | 66,506,265         | 60,069,355         | 6,996,744         | 3,796,021         |
|   |       | <u>104,686,789</u> | <u>98,254,879</u>  | <u>43,829,045</u> | <u>40,628,322</u> |
| <b>Non-controlling interests</b>  |       | –                  | 49,930             | –                 | –                 |
| <b>Total equity</b>   |       | <u>104,686,789</u> | <u>98,304,809</u>  | <u>43,829,045</u> | <u>40,628,322</u> |

The accompanying notes form an integral part of these financial statements.

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

|   | Note  | 2015<br>\$       | Group<br>2014<br>\$ |
|---|-------|------------------|---------------------|
| Revenue   | 21    | 103,289,822      | 109,476,017         |
| Cost of works   | 6     | (89,521,661)     | (100,716,418)       |
| Gross profit  |       | 13,768,161       | 8,759,599           |
| Other income  | 23    | 2,799,656        | 1,572,531           |
| Expenses  |       |                  |                     |
| – Administrative  |       | (9,027,774)      | (8,170,229)         |
| – Finance   | 26    | (61,945)         | (53,675)            |
| – Share of profit of associated companies and joint ventures                                  | 8, 9  | 127,548          | 91,063              |
| Profit before income tax  |       | 7,605,646        | 2,199,289           |
| Income tax (expense)/credit   | 27(a) | (601,805)        | 339,529             |
| <b>Net profit</b>   |       | <b>7,003,841</b> | <b>2,538,818</b>    |
| <b>Other comprehensive losses:</b>  |       |                  |                     |
| Items that may be reclassified subsequently to profit or loss:                                |       |                  |                     |
| Financial assets, available-for-sale  |       |                  |                     |
| – Fair value (losses)/gains   | 19    | (5,000)          | 32,500              |
| – Reclassification  | 19    | –                | (44,391)            |
| <b>Other comprehensive losses, net of tax</b>   |       | <b>(5,000)</b>   | <b>(11,891)</b>     |
| <b>Total comprehensive income</b>   |       | <b>6,998,841</b> | <b>2,526,927</b>    |
| <b>Net profit attributable to:</b>  |       |                  |                     |
| Equity holders of the Company   |       | 7,004,744        | 2,541,056           |
| Non-controlling interests   |       | (903)            | (2,238)             |
|   |       | <b>7,003,841</b> | <b>2,538,818</b>    |
| <b>Total comprehensive income attributable to:</b>  |       |                  |                     |
| Equity holders of the Company   |       | 6,999,744        | 2,529,165           |
| Non-controlling interests   |       | (903)            | (2,238)             |
|   |       | <b>6,998,841</b> | <b>2,526,927</b>    |
| <b>Earnings per share attributable to equity holders<br/>of the Company (cents per share)</b> | 28    |                  |                     |
| – Basic   |       | 2.27             | 0.82                |
| – Diluted   |       | 2.27             | 0.82                |

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

|  | Note | Attributable to equity holders of the Company |                    |                           |                   |                    | Non-controlling interests | Total equity       |
|--|------|---|--------------------|---------------------------|-------------------|--------------------|---------------------------|--------------------|
|  |      | Share capital                                 | Fair value reserve | Asset revaluation reserve | Retained profits  | Total              |                           |                    |
|  |      | \$  | \$                 | \$                        | \$                | \$                 |                           |                    |
| <b>2015</b>  |      |   |                    |                           |                   |                    |                           |                    |
| <b>Beginning of financial year</b>                                   |      | 36,832,301                                    | (19,107)           | 1,372,330                 | 60,069,355        | 98,254,879         | 49,930                    | 98,304,809         |
| Total comprehensive (loss)/<br>income for the year                   |      | –   | (5,000)            | –                         | 7,004,744         | 6,999,744          | (903)                     | 6,998,841          |
| Effect of changes in<br>shareholdings in a<br>subsidiary corporation |      | –   | –                  | –                         | 49,027            | 49,027             | (49,027)                  | –                  |
| Dividends  | 29   | –   | –                  | –                         | (616,861)         | (616,861)          | –                         | (616,861)          |
| <b>End of financial year</b>   |      | <b>36,832,301</b>                             | <b>(24,107)</b>    | <b>1,372,330</b>          | <b>66,506,265</b> | <b>104,686,789</b> | <b>–</b>                  | <b>104,686,789</b> |
| <b>2014</b>  |      |   |                    |                           |                   |                    |                           |                    |
| <b>Beginning of financial year</b>                                   |      | 36,832,301                                    | (7,216)            | 1,372,330                 | 58,453,590        | 96,651,005         | 52,168                    | 96,703,173         |
| Total comprehensive (loss)/<br>income for the year                   |      | –   | (11,891)           | –                         | 2,541,056         | 2,529,165          | (2,238)                   | 2,526,927          |
| Dividends  | 29   | –   | –                  | –                         | (925,291)         | (925,291)          | –                         | (925,291)          |
| <b>End of financial year</b>   |      | <b>36,832,301</b>                             | <b>(19,107)</b>    | <b>1,372,330</b>          | <b>60,069,355</b> | <b>98,254,879</b>  | <b>49,930</b>             | <b>98,304,809</b>  |

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

|   | Note  | 2015<br>\$         | Group<br>2014<br>\$ |
|---|-------|--------------------|---------------------|
| <b>Cash flows from operating activities</b>                             |       |                    |                     |
| Net profit  |       | 7,003,841          | 2,538,818           |
| Adjustments for:  |       |                    |                     |
| – Income tax expense/(credit)   | 27(a) | 601,805            | (339,529)           |
| – Depreciation of property, plant and equipment                         | 13    | 3,083,433          | 2,915,021           |
| – Amortisation of intangible assets                                     | 14(b) | 73,709             | 70,510              |
| – Fair value gain on investment properties                              | 10    | (110,000)          | (120,000)           |
| – Gain on disposal of property, plant and equipment                     | 23    | (69,949)           | (185,141)           |
| – Share of profit of investments accounted for using equity method      | 8, 9  | (127,548)          | (91,063)            |
| – Loss on disposal of financial assets                                  |       | –                  | (28,125)            |
| – Reclassification adjustment from fair value reserve to profit or loss | 19    | –                  | (51,327)            |
| – Interest income   | 23    | (436,492)          | (668,186)           |
| – Interest expense  | 26    | 61,945             | 53,675              |
| <b>Operating cash flow before working capital changes</b>               |       | <b>10,080,744</b>  | <b>4,094,653</b>    |
| Change in working capital:  |       |                    |                     |
| – Trade and other receivables   |       | 10,308,200         | (2,179,183)         |
| – Construction contract work-in-progress                                |       | 1,715,847          | (412,895)           |
| – Trade and other payables  |       | (1,994,526)        | (2,357,784)         |
| <b>Cash generated from/(used in) operations</b>                         |       | <b>20,110,265</b>  | <b>(855,209)</b>    |
| – Interest received   |       | 297,559            | 120,259             |
| – Income tax paid   | 27(b) | (154,682)          | (380,715)           |
| <b>Net cash provided by/(used in) operating activities</b>              |       | <b>20,253,142</b>  | <b>(1,115,665)</b>  |
| <b>Cash flows from investing activities</b>                             |       |                    |                     |
| – Additions to property, plant and equipment                            |       | (1,510,606)        | (1,979,108)         |
| – Additions to intangible assets  | 14(b) | (16,000)           | –                   |
| – Disposal of property, plant and equipment                             |       | 146,227            | 264,938             |
| – Disposal of financial assets, available-for-sale                      | 12    | –                  | 749,848             |
| – Redemption of a financial asset, held-to-maturity                     |       | –                  | 528,125             |
| – Loan to associated company  |       | –                  | (20,000)            |
| – Repayment of loans by a joint venture                                 |       | 3,950,000          | –                   |
| – Investment in an associated company                                   | 9     | (500,001)          | (200,000)           |
| – Interest received   |       | 51,320             | 70,778              |
| <b>Net cash provided by/(used in) investing activities</b>              |       | <b>2,120,940</b>   | <b>(585,419)</b>    |
| <b>Cash flows from financing activities</b>                             |       |                    |                     |
| – Repayment of finance lease liabilities                                |       | (1,015,978)        | (887,911)           |
| – Interest paid   |       | (61,945)           | (53,675)            |
| – Dividends paid to equity holders of the Company                       | 29    | (616,861)          | (925,291)           |
| – Bank deposits pledged   |       | (100,825)          | (16,288)            |
| <b>Net cash used in financing activities</b>                            |       | <b>(1,795,609)</b> | <b>(1,883,165)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             |       | <b>20,578,473</b>  | <b>(3,584,249)</b>  |
| <b>Cash and cash equivalents</b>  |       |                    |                     |
| Beginning of financial year   |       | 28,929,666         | 32,513,915          |
| <b>End of financial year</b>  | 4     | <b>49,508,139</b>  | <b>28,929,666</b>   |

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The financial statements of the Group for the financial year ended 31 December 2015 were authorised for issue in accordance with resolution of the Board of Directors of OKP Holdings Limited on 18 March 2016.

## 1 GENERAL INFORMATION

OKP Holdings Limited (the “Company”) is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) and incorporated and domiciled in Singapore. The address of its registered office is 30 Tagore Lane, Singapore 787484.

The principal activities of the Company are those relating to investment holding and the provision of management services to its subsidiary corporations. The principal activities of the subsidiary corporations are set out in Note 7 to the financial statements.

The Company’s immediate and ultimate holding corporation is Or Kim Peow Investments Pte. Ltd., incorporated in Singapore.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### *Interpretations and amendments to published standards effective in 2015*

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

#### **FRS 108 Operating segments**

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity’s assets when segment assets are reported.

The Group has included the additional required disclosures in Note 32 of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Group accounting

#### (i) Subsidiary corporations

##### (a) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

##### (b) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the (i) consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Group accounting (cont'd)

#### (i) **Subsidiary corporations (cont'd)**

##### (c) **Disposals**

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations, joint ventures and associated companies" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

#### (ii) **Transactions with non-controlling interests**

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

#### (iii) **Associated companies and joint ventures**

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

#### (a) **Acquisitions**

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Group accounting (cont'd)

#### (iii) Associated companies and joint ventures (cont'd)

##### (b) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' or joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies or joint ventures are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

##### (c) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investment in subsidiary corporations, joint ventures and associated companies" for the accounting policy on investments in joint ventures and associated companies in the separate financial statements of the Company.

### 2.3 Property, plant and equipment

#### (i) Measurement

##### (a) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

##### (b) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Property, plant and equipment (cont'd)

#### (ii) Depreciation

Freehold land and building under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

|                        | <u>Useful Lives</u> |
|------------------------|---------------------|
| Buildings              | 50 years            |
| Leasehold property     | 15 years            |
| Plant and machinery    | 10 years            |
| Motor vehicles         | 5 – 10 years        |
| Office equipment       | 5 – 10 years        |
| Furniture and fittings | 5 – 10 years        |
| Signboard              | 5 – 10 years        |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

#### (iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

#### (iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “administrative expenses”. Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

### 2.4 Intangible assets

#### (i) Goodwill on acquisitions

Goodwill on acquisitions of subsidiary corporations and businesses on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiary corporations and businesses prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.4 *Intangible assets (cont'd)*

#### (i) *Goodwill on acquisitions (cont'd)*

Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiary corporations, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

#### (ii) *Acquired computer software licences*

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of five years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

### 2.5 *Investment properties*

Investment properties include freehold properties that are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

### 2.6 *Investments in subsidiary corporations, joint ventures and associated companies*

Investments in subsidiary corporations, joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.7 Impairment of non-financial assets

#### (i) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

#### (ii) Intangible assets

##### *Property, plant and equipment*

##### *Investments in subsidiary corporations, joint ventures and associated companies*

Intangible assets, property, plant and equipment and investments in subsidiary corporations, joint ventures and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

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# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.8 Financial assets

#### (i) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 5 and 11) and "cash and cash equivalents" (Note 4) on the balance sheet.

#### (b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are presented as non-current asset unless management intends to dispose of the asset within 12 months after the balance sheet date.

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

#### (iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

#### (iv) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.



## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.8 *Financial assets (cont'd)*

#### (v) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

#### (a) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

#### (b) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note 2.8(v)(a), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

### 2.9 *Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.10 *Financial guarantees*

The Company has issued corporate guarantees to banks for banking facilities of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations' banking facilities, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

### 2.11 *Construction contracts*

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"), as measured by surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total construction costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the customer's/professional's certification of value of work done to-date. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

### 2.14 Leases

#### (i) When the Group is the lessee

The Group leases motor vehicles and certain plant and machinery under finance leases and land under operating leases from non-related parties.

#### (a) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and machinery and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

#### (b) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.14 Leases (cont'd)

#### (ii) *When the Group is the lessor*

The Group leases investment property under operating lease to a non-related party.

#### (a) *Lessor – Operating lease*

Lease of investment property where the Group retains substantially all risks and rewards incidental to ownership is classified as an operating lease. Rental income from operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating lease is added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

### 2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating transactions within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

#### (i) *Revenue from construction and maintenance contracts*

Revenue from construction and maintenance contracts is recognised based on the percentage-of-completion method as disclosed in Note 2.11.

#### (ii) *Interest income*

Interest income, including income arising from other financial instruments, is recognised using the effective interest method.

#### (iii) *Rental income*

Rental income from operating lease (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.16 *Income taxes*

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for productivity and innovative credit similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

### 2.17 *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

### 2.18 *Employee compensation*

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

#### (i) *Defined contribution plan*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.18 *Employee compensation (cont'd)*

#### (ii) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### (iii) *Profit sharing and bonus plan*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

### 2.19 *Currency translation*

#### (i) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

#### (ii) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other income".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.19 Currency translation (cont'd)

#### (iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (b) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

### 2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

### 2.21 Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on management's view of the expected outcome of the applicable contingency. Contingent liabilities are possible but not probable obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain event not wholly within the control of the Group.

### 2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

### 2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

### 2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payments.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.25 Government grant

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grant relating to expenses is deducted directly from the related expense.

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (i) Estimated impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of goodwill and where applicable, CGU have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 14(a)).

If the management's estimated growth rate used in the value-in-use calculation for this CGU has been lowered by 1%, or the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been raised by 1%, the value-in-use calculation at 31 December 2015 would have decreased by \$54,403,000 (2014: \$28,822,000) and \$50,621,000 (2014: \$26,799,842) respectively. This decrease in the value-in-use would have no impact to the carrying amount of goodwill amounting to \$1,688,000.

### (ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 5 to 50 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2015 were \$18,205,334 (2014: \$18,486,204). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of the property, plant and equipment differ by 10% from management's estimate, the carrying amount of the property, plant and equipment will be approximately higher/lower by \$306,419 (2014: \$344,529) respectively.

### 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (cont'd)

#### (iii) Construction contracts

The Group uses the stage of completion method to account for its contract revenue. The stage of completion is measured by surveys of work performed.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works from the customers. In making the judgement, the Group evaluates this by relying on past experience.

If the revenue on uncompleted contracts at the balance sheet date had been higher/lower by 10% from management's estimates, the Group's revenue would have been approximately higher/lower by \$19,209,607 (2014: \$28,798,846) respectively.

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's profit would have been lower/higher by \$24,958,569 (2014: \$16,525,829) respectively.

### 4 CASH AND CASH EQUIVALENTS

|                          | Group             |                   | Company          |                  |
|--------------------------|-------------------|-------------------|------------------|------------------|
|                          | 2015              | 2014              | 2015             | 2014             |
|                          | \$                | \$                | \$               | \$               |
| Cash at bank and on hand | 20,604,460        | 14,330,411        | 2,571,641        | 3,007,219        |
| Short-term bank deposits | 34,084,199        | 19,678,950        | 711,482          | 665,203          |
|                          | <u>54,688,659</u> | <u>34,009,361</u> | <u>3,283,123</u> | <u>3,672,422</u> |

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

|  | Group             |                   |
|--|-------------------|-------------------|
|  | 2015              | 2014              |
|  | \$                | \$                |
| Cash and bank balances   | 54,688,659        | 34,009,361        |
| Less: bank deposits pledged  | (5,180,520)       | (5,079,695)       |
| Cash and cash equivalents per consolidated statement of cash flows | <u>49,508,139</u> | <u>28,929,666</u> |

Bank deposits of \$5,180,520 (2014: \$5,079,695) are pledged to banks for banking facilities of certain subsidiary corporations.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 5 TRADE AND OTHER RECEIVABLES

|   | Group      |             | Company   |           |
|---|------------|-------------|-----------|-----------|
|   | 2015       | 2014        | 2015      | 2014      |
|   | \$         | \$          | \$        | \$        |
| Trade receivables   |            |             |           |           |
| – Non-related parties   | 2,363,626  | 8,354,134   | –         | –         |
| – Subsidiary corporations   | –          | –           | 6,516,670 | 2,450,000 |
|   | 2,363,626  | 8,354,134   | 6,516,670 | 2,450,000 |
| Construction contracts  |            |             |           |           |
| – Due from customers (Note 6)                                     | 15,901,046 | 18,642,728  | –         | –         |
| – Retentions (Note 6)   | 4,533,550  | 4,967,909   | –         | –         |
|   | 20,434,596 | 23,610,637  | –         | –         |
| Non-trade receivables   |            |             |           |           |
| – Subsidiary corporations   | –          | –           | 767,157   | 716,638   |
| – Joint venture partners  | 3,210      | 6,420       | –         | –         |
| – Non-related parties   | 76,052     | 1,969,454   | 6,150     | 3,800     |
|   | 79,262     | 1,975,874   | 773,307   | 720,438   |
| Less: Allowance for impairment of receivables<br>[Note 31(ii)(b)] | –          | (1,474,203) | (687,863) | (687,863) |
| Non-trade receivables – net                                       | 79,262     | 501,671     | 85,444    | 32,575    |
| Deposits  | 576,610    | 1,029,711   | 6,530     | 10,970    |
| Prepayments   | 1,000,222  | 616,363     | 20,122    | 23,358    |
|   | 24,454,316 | 34,112,516  | 6,628,766 | 2,516,903 |

The non-trade amounts due from subsidiary corporations and joint venture partners are unsecured, interest-free and are repayable on demand.

## 6 CONSTRUCTION CONTRACT WORK-IN-PROGRESS

|   | Group         |               |
|---|---------------|---------------|
|   | 2015          | 2014          |
|   | \$            | \$            |
| <u>Construction contract work-in-progress</u>   |               |               |
| Beginning of financial year   | 5,953,876     | 5,540,981     |
| Contract costs incurred   | 87,805,814    | 101,129,313   |
| Contract expenses recognised in profit or loss  | (89,521,661)  | (100,716,418) |
| End of financial year   | 4,238,029     | 5,953,876     |
| Aggregate costs incurred and profits recognised (less losses recognised) to date on<br>uncompleted construction contracts | 192,515,718   | 198,108,328   |
| Less: Progress billings   | (176,614,672) | (179,465,600) |
|   | 15,901,046    | 18,642,728    |
| Presented as:   |               |               |
| Due from customers on construction contracts (Note 5)   | 15,901,046    | 18,642,728    |
| Advances received on construction contracts (Note 15)   | –             | 1,138,804     |
| Retentions on construction contracts (Note 5)   | 4,533,550     | 4,967,909     |



## 7 INVESTMENTS IN SUBSIDIARY CORPORATIONS

|                                     | Company    |            |
|-------------------------------------|------------|------------|
|                                     | 2015       | 2014       |
|                                     | \$         | \$         |
| <i>Equity investments at cost</i>   |            |            |
| Beginning and end of financial year | 17,522,234 | 17,522,234 |

Details of subsidiary corporations are as follow:

| Name of subsidiary corporations          | Principal activities   | Country of incorporation | Proportion of ordinary shares held by the Group |      | Proportion of ordinary shares held by non-controlling interests |      |
|--|--|--------------------------|---|------|---|------|
|  |  |                          | 2015  | 2014 | 2015  | 2014 |
| <i>Held by the Company</i>               |  |                          |   |      |   |      |
| # Or Kim Peow Contractors (Pte) Ltd      | Business of road and building construction and maintenance   | Singapore                | 100%  | 100% | –   | –    |
| # Eng Lam Contractors Co. (Pte) Ltd      | Business of road construction and maintenance  | Singapore                | 100%  | 100% | –   | –    |
| #* OKP Technical Management Pte Ltd      | Provision of technical management and consultancy services   | Singapore                | 100%  | 100% | –   | –    |
| #* OKP Investments (China) Pte Ltd       | Investment holding   | Singapore                | 100%  | 100% | –   | –    |
| # OKP (Oil & Gas) Infrastructure Pte Ltd | Business of carrying out civil engineering projects in respect of oil, petrochemical and gas related businesses in Singapore | Singapore                | 100%  | 100% | –   | –    |
| #* United Pavement Specialists Pte Ltd   | Provision of rental services and investment holding  | Singapore                | 100%  | 55%  | –   | 45%  |
| # OKP Land Pte Ltd                       | Investment holding and property development  | Singapore                | 100%  | 100% | –   | –    |
| #* OKP Transport & Trading Pte Ltd       | Provision of transport and logistics services  | Singapore                | 100%  | 100% | –   | –    |

# Audited by Nexia TS Public Accounting Corporation

\* Dormant company

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 7 INVESTMENTS IN SUBSIDIARY CORPORATIONS (cont'd)

### Carrying value of non-controlling interests

|                                     | 2015<br>\$ | 2014<br>\$ |
|-------------------------------------|------------|------------|
| United Pavement Specialists Pte Ltd | –          | 49,930     |

### Summarised financial information of subsidiary corporation with non-controlling interests

Set out below are the summarised financial information for the subsidiary corporation that has non-controlling interests. These are presented before inter-company eliminations. There were no transactions with non-controlling interests for the financial years ended 31 December 2015 and 2014.

### Summarised balance sheet

|                               | As at 31 December |            |
|-------------------------------|-------------------|------------|
|                               | 2015<br>\$        | 2014<br>\$ |
| <b>Current</b>                |                   |            |
| Assets                        | –                 | 29,259     |
| Liabilities                   | –                 | (691,897)  |
| Total current net liabilities | –                 | (662,638)  |
| <b>Net liabilities</b>        | –                 | (662,638)  |

### Summarised statement of comprehensive income

|                                 | For the year ended 31 December |            |
|---------------------------------|--------------------------------|------------|
|                                 | 2015<br>\$                     | 2014<br>\$ |
| Revenue                         | –                              | –          |
| <b>Loss before income tax</b>   | (2,005)                        | (4,974)    |
| <b>Total comprehensive loss</b> | (2,005)                        | (4,974)    |

### Summarised cash flows

|   | For the year ended 31 December |            |
|---|--------------------------------|------------|
|   | 2015<br>\$                     | 2014<br>\$ |
| <u>Cash flows from operating activities</u>             |                                |            |
| <b>Cash used in operations and operating activities</b> | (1,131)                        | (4,974)    |
| <b>Net decrease in cash and cash equivalents</b>        | (1,131)                        | (4,974)    |
| Cash and cash equivalents at beginning of year          | 29,259                         | 34,233     |
| <b>Cash and cash equivalents at end of year</b>         | 28,128                         | 29,259     |

## 8 INVESTMENTS IN JOINT VENTURES

|  | Group     |           |
|--|-----------|-----------|
|  | 2015      | 2014      |
|  | \$        | \$        |
| <b>Interests in joint ventures</b>                                   |           |           |
| Beginning of financial year  | 3,262,848 | 3,117,900 |
| Share of profit of investments accounted for using the equity method | 47,900    | 315,385   |
| Notional fair value of loan (net)                                    | (322,761) | (170,437) |
| End of financial year  | 2,987,987 | 3,262,848 |

Details of the joint ventures are as follows:

| Name of joint ventures                                     | Principal activities  | Country of incorporation | % of ownership interest |      |
|--|---|--------------------------|-------------------------|------|
|  |   |                          | 2015                    | 2014 |
| <u>Held by subsidiary corporations</u>                     |   |                          |                         |      |
| <u>Incorporated joint ventures</u>                         |   |                          |                         |      |
| CS-OKP Construction and Development Pte Ltd <sup>(a)</sup> | Design, construction and execution of urban development (including road infrastructure) | Singapore                | 50%                     | 50%  |
| Forte Builder Pte Ltd <sup>(b)</sup>                       | Business of general construction  | Singapore                | 50%                     | 50%  |
| Lakehomes Pte Ltd <sup>(c)</sup>                           | Property development  | Singapore                | 10%                     | 10%  |
| <u>Unincorporated joint ventures</u>                       |   |                          |                         |      |
| Chye Joo-Or Kim Peow JV <sup>(d)</sup>                     | Business of general construction  | Singapore                | 50%                     | –    |
| Acset-OKP <sup>(e)</sup>                                   | Business of general construction  | Indonesia                | 50%                     | –    |

(a) Audited by Heng Lee Seng LLP

(b) Audited by Nexia TS Public Accounting Corporation

(c) Audited by Ernst & Young LLP

(d) Newly registered on 4 May 2015

(e) Established on 21 September 2015, not required to be audited in the country of incorporation

CS-OKP Construction and Development Pte Ltd (“CS-OKP”), incorporated in Singapore on 1 December 2009, remained inactive as at 31 December 2015. CS-OKP is a joint venture company of OKP Technical Management Pte Ltd (“OKPTM”), a wholly-owned subsidiary corporation, and CS Mining Pte Ltd, a subsidiary corporation of China Sonangol International Limited, with a share capital of \$100,000 consisting of 100 ordinary shares. OKPTM has a 50% equity interest at a cost of \$50,000 (2014: \$50,000) in CS-OKP.

On 8 December 2010, Or Kim Peow Contractors (Pte) Ltd (“OKPC”), a wholly-owned subsidiary corporation, entered into a joint venture agreement with Soil-Build (Pte) Ltd (“SBPL”), incorporated in Singapore and a subsidiary corporation of Soilbuild Group Holdings Ltd., to form a 50:50 joint venture company. On the same date, the joint venture company, Forte Builder Pte. Ltd. (“FBPL”) was incorporated in Singapore with a share capital of \$1,000,000 consisting of 1,000,000 ordinary shares. OKPC has a 50% equity interest at a cost of \$500,000 in FBPL. The principal activity of FBPL is the construction of the condominium housing development, comprising one (1) 36-storey block of 54 residential units at Angullia Park.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 8 INVESTMENTS IN JOINT VENTURES (cont'd)

On 15 August 2013, a joint venture company, Lakehomes Pte Ltd ("LH") was incorporated in Singapore with a share capital of \$1,000,000 consisting of 1,000,000 ordinary shares. OKP Land Pte Ltd ("OKPL"), a wholly-owned subsidiary corporation, has a 10% equity interest at a cost of \$100,000 in LH. The principal activity of LH is to develop a land parcel at Yuan Ching Road/Tao Ching Road into an executive condominium. On 13 September 2013, OKPL entered into a joint venture agreement with BBR Development Pte Ltd, Evia Real Estate (5) Pte Ltd, CNH Investment Pte Ltd and Ho Lee Group Pte Ltd for the aforesaid executive condominium development.

On 4 May 2015, a joint venture partnership, Chye Joo-Or Kim Peow JV was registered to execute the improvement to Bukit Timah First Diversion Canal Contract 3 (Holland Green to Clementi Road) awarded by the Public Utilities Board.

On 21 September 2015, OKP (Oil & Gas) Infrastructure Pte Ltd ("OKP O&G"), a wholly-owned subsidiary corporation, had through its Jakarta representative office entered into a joint venture agreement with PT Acset Indonusa Tbk, pursuant to which OKP O&G and PT Acset Indonusa Tbk constituted themselves as a joint venture in the name of "ACSET-OKP" in accordance with the joint operation scheme under the laws of the Republic of Indonesia. The joint venture has been established to carry out building and construction works in Jakarta, Indonesia. The joint venture remained inactive as at 31 December 2015.

The Group has joint control over these joint ventures as under the contractual agreements, unanimous consent is required from all parties to the arrangements for all relevant activities.

The Group's joint arrangements are structured as limited companies and partnership such that the Group and the parties to the arrangements have the rights to the net assets of the limited companies and partnership under the arrangements. Therefore, these arrangements are classified as joint ventures.

Set out below is the joint venture of the Group as at 31 December 2015, which in the opinion of the directors, is material to the Group. The joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also its principal place of business.

The summarised unaudited financial information in respect of FBPL based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

### Summarised statement of comprehensive income

|                                   | For the year ended 31 December |                     |
|-----------------------------------|--------------------------------|---------------------|
|                                   | 2015                           | 2014                |
|                                   | \$                             | \$                  |
| <b>Revenue</b>                    | <b>1,118,103</b>               | <b>11,193,542</b>   |
| <b>Expenses</b>                   | <b>(1,053,893)</b>             | <b>(10,494,817)</b> |
| Includes:                         |                                |                     |
| – Cost of sales                   | (1,045,426)                    | (10,465,962)        |
| <b>Profit before income tax</b>   | <b>64,210</b>                  | <b>698,725</b>      |
| Income tax                        | (3,600)                        | (63,940)            |
| <b>Total comprehensive income</b> | <b>60,610</b>                  | <b>634,785</b>      |

## 8 INVESTMENTS IN JOINT VENTURES (cont'd)

### Summarised balance sheet

|                               | As at 31 December  |                    |
|-------------------------------|--------------------|--------------------|
|                               | 2015               | 2014               |
|                               | \$                 | \$                 |
| <b>Current assets</b>         | <b>11,543,124</b>  | <b>11,188,537</b>  |
| Includes:                     |                    |                    |
| – Cash and cash equivalents   | 4,750,733          | 5,021,644          |
| – Trade and other receivables | 6,792,391          | 6,166,893          |
| <b>Current liabilities</b>    | <b>(6,055,236)</b> | <b>(5,761,259)</b> |
| Includes:                     |                    |                    |
| – Trade and other payables    | (6,051,636)        | (5,666,259)        |
| <b>Net assets</b>             | <b>5,487,888</b>   | <b>5,427,278</b>   |

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture.

### Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in joint venture, is as follows:

|                                     | As at 31 December |                  |
|-------------------------------------|-------------------|------------------|
|                                     | 2015              | 2014             |
|                                     | \$                | \$               |
| <b>Net assets</b>                   |                   |                  |
| <b>At 1 January</b>                 | 5,427,278         | 4,792,493        |
| Profit for the year                 | 60,610            | 634,785          |
| <b>At 31 December</b>               | <b>5,487,888</b>  | <b>5,427,278</b> |
| Proportion of the Group's ownership | 50%               | 50%              |
| <b>Carrying value</b>               | <b>2,743,944</b>  | <b>2,713,639</b> |



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 8 INVESTMENTS IN JOINT VENTURES (cont'd)

The aggregate of unaudited financial information of the Group's investments in joint ventures that are not individually material is as follows:

### Summarised statement of comprehensive income/(loss)

|  | For the year ended 31 December |                 |
|--|--------------------------------|-----------------|
|  | 2015                           | 2014            |
|  | \$                             | \$              |
| <b>Total comprehensive income/(loss)</b> | <b>70,925</b>                  | <b>(78,772)</b> |

### Summarised balance sheet

|                                     | As at 31 December    |                      |
|-------------------------------------|----------------------|----------------------|
|                                     | 2015                 | 2014                 |
|                                     | \$                   | \$                   |
| <b>Current assets</b>               | <b>247,287,003</b>   | <b>317,152,032</b>   |
| Includes:                           |                      |                      |
| – Development property              | 242,177,122          | 312,746,053          |
| <b>Current liabilities</b>          | <b>(60,730,857)</b>  | <b>(12,729,240)</b>  |
| Includes:                           |                      |                      |
| – Trade and other payables          | (9,836,683)          | (12,729,240)         |
| <b>Non-current liabilities</b>      | <b>(181,533,406)</b> | <b>(297,572,483)</b> |
| Includes:                           |                      |                      |
| – Loans from joint venture partners | (55,019,826)         | (91,292,218)         |
| – Borrowings                        | (120,100,000)        | (206,280,265)        |
| <b>Net assets</b>                   | <b>5,022,740</b>     | <b>6,850,309</b>     |

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint ventures.

The following table summarises, in aggregate, the Group's share of profit/(loss) and interests on net assets in joint ventures that are not individually material accounted for using the equity method:

|  | 2015           | 2014           |
|--|----------------|----------------|
|  | \$             | \$             |
| Beginning of financial year  | 549,209        | 723,770        |
| Group's share of total comprehensive income/(loss)                                   | 17,595         | (2,008)        |
| Other adjustments  | (322,761)      | (172,553)      |
| <b>Carrying value of Group's interest in joint ventures at end of financial year</b> | <b>244,043</b> | <b>549,209</b> |

The Group has not recognised its share of income of a joint venture, Lakehomes Pte Ltd amounting to \$3,573 (2014: share of losses of \$7,476) as the Group's cumulative share of losses has exceeded its interest in the entity and the Group has no obligation in respect of those losses. The cumulative unrecognised losses of this entity are \$51,556 (2014: \$55,129) at the balance sheet date.

## 9 INVESTMENTS IN ASSOCIATED COMPANIES

|   | Group   |           |
|---|---------|-----------|
|   | 2015    | 2014      |
|   | \$      | \$        |
| <b>Interests in associated companies</b>          |         |           |
| Beginning of financial year                       | 70,741  | 95,063    |
| Incorporation of an associated company            | –       | 200,000   |
| Increase in shareholding in an associated company | 500,001 | –         |
| Share of profit/(loss) of associated companies    | 79,648  | (224,322) |
| End of financial year                             | 650,390 | 70,741    |

Details of associated companies are as follows:

| Name of associated companies                     | Principal activities | Country of incorporation | Equity holding |      |
|--|----------------------|--------------------------|----------------|------|
|  |                      |                          | 2015           | 2014 |
| <u>Held by subsidiary corporations</u>           |                      |                          |                |      |
| CS Amber Development Pte Ltd <sup>(a)</sup>      | Property development | Singapore                | 10%            | 10%  |
| United Singapore Builders Pte Ltd <sup>(b)</sup> | General contractors  | Singapore                | 25%            | 20%  |

(a) Audited by PricewaterhouseCoopers LLP

(b) Audited by Nexia TS Public Accounting Corporation

On 27 June 2012, OKP Land Pte Ltd (“OKPL”), a wholly-owned subsidiary corporation, entered into an investment agreement with CS Amber Development Pte Ltd (“CS Amber”) and China Sonangol Land Pte Ltd, pursuant to which OKPL subscribed for 111,111 ordinary shares in CS Amber, representing approximately 10% of the enlarged issued and paid-up share capital of CS Amber. The aggregate consideration for the subscription of the shares is \$111,111.

The Group accounts for its investment in CS Amber as an associated company although the Group holds less than 20% of the issued share of CS Amber as the Group is able to exercise significant influence over the investment due to the Group’s voting power (both through its equity holding and its representation on the Board).

On 8 January 2014, Or Kim Peow Contractors (Pte) Ltd (“OKPC”), a wholly-owned subsidiary corporation, entered into a shareholders’ agreement with Chye Joo Construction Pte Ltd, Ho Lee Construction Pte Ltd, Hwa Seng Builder Pte Ltd, Swee Hong Limited and United Singapore Builders Pte Ltd (“USB”) to tender for and, if successful, undertake Mass Rapid Transit projects, including the construction of related infrastructure such as stations, tunnels and depots. As at 31 December 2014, OKPC has a 20% equity interest at a cost of \$200,000 in USB.

On 3 June 2015, OKPC acquired another 5% of the issued share capital of USB by way of acquisition of 50,000 ordinary shares for \$1.00. Consequently, OKPC has a 25% equity interest at a cost of \$200,001 in USB. On 17 August 2015, OKPC was allotted and issued 500,000 new ordinary shares by the capitalisation of its advance to USB and hence, its shareholding in USB increased to 750,000 shares. The shareholding percentage remains unchanged at 25% of the total issued and paid-up capital in USB.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 9 INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

The aggregate of unaudited financial information of the Group's investments in associated companies that are not individually material is as follows:

### Summarised statement of comprehensive loss

|                                 | For the year ended 31 December |                    |
|---------------------------------|--------------------------------|--------------------|
|                                 | 2015                           | 2014               |
|                                 | \$                             | \$                 |
| <b>Revenue</b>                  | <b>14,214,068</b>              | <b>1,734,313</b>   |
| <b>Expenses</b>                 | <b>(17,827,890)</b>            | <b>(3,993,303)</b> |
| Includes:                       |                                |                    |
| – Cost of sales                 | 13,880,660                     | 1,747,633          |
| – Amortisation and depreciation | 2,464,864                      | 963,479            |
| <b>Total comprehensive loss</b> | <b>(3,613,822)</b>             | <b>(2,258,990)</b> |

### Summarised balance sheet

|                                | As at 31 December    |                      |
|--------------------------------|----------------------|----------------------|
|                                | 2015                 | 2014                 |
|                                | \$                   | \$                   |
| <b>Current assets</b>          | <b>253,356,587</b>   | <b>223,763,205</b>   |
| Includes:                      |                      |                      |
| – Cash and cash equivalents    | 13,493,793           | 4,942,028            |
| – Trade and other receivables  | 12,027,462           | 12,579,082           |
| – Development property         | 225,468,101          | 206,242,095          |
| <b>Non-current assets</b>      | <b>618,813</b>       | <b>2,339,879</b>     |
| Includes:                      |                      |                      |
| – Showflat                     | –                    | 2,339,879            |
| – Site equipment               | 618,813              | –                    |
| <b>Current liabilities</b>     | <b>(19,889,978)</b>  | <b>(6,650,250)</b>   |
| Includes:                      |                      |                      |
| – Trade and other payables     | (16,029,493)         | (6,650,250)          |
| <b>Non-current liabilities</b> | <b>(236,289,348)</b> | <b>(220,084,546)</b> |
| Includes:                      |                      |                      |
| – Shareholders' loan           | (196,804,902)        | (195,928,770)        |
| – Borrowings                   | (39,340,536)         | (24,155,776)         |
| <b>Net liabilities</b>         | <b>(2,203,926)</b>   | <b>(631,712)</b>     |

## 9 INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

The following table summarises, in aggregate, the Group's share of profit/(loss) and interests on net assets in associated companies that are not individually material accounted for using the equity method:

|  | 2015           | 2014          |
|--|----------------|---------------|
|  | \$             | \$            |
| Beginning of financial year  | 70,741         | 295,063       |
| Group's share of total comprehensive income/(loss)   | 79,648         | (224,322)     |
| Increase in shareholding in an associated company  | 500,001        | –             |
| <b>Carrying value of Group's interest in associated companies at end of financial year</b> | <b>650,390</b> | <b>70,741</b> |

The Group has not recognised its share of losses of an associated company, CS Amber Development Pte Ltd amounting to \$394,911 (2014: \$66,207) as the Group's cumulative share of losses exceeded its interest in that entity and the Group has no obligation in respect of those losses. The cumulative unrecognised loss with respect to this entity is \$461,118 (2014: \$66,207) at the balance sheet date.

## 10 INVESTMENT PROPERTIES

|  | Group     |           |
|--|-----------|-----------|
|  | 2015      | 2014      |
|  | \$        | \$        |
| Beginning of financial year                                | 5,140,000 | 5,020,000 |
| Net fair value gain recognised in profit or loss (Note 23) | 110,000   | 120,000   |
| End of financial year                                      | 5,250,000 | 5,140,000 |

The following amounts are recognised in profit or loss:

|   |          |          |
|---|----------|----------|
| Rental income (Note 23)   | 190,330  | 117,482  |
| Direct operating expenses arising from an investment property that generate rental income | (34,675) | (53,273) |

At the balance sheet date, the details of the Group's investment properties are as follows:

| Location   | Description    | Existing use | Tenure   | Fair value |           |
|--|----------------|--------------|----------|------------|-----------|
|  |                |              |          | 2015       | 2014      |
|  |                |              |          | \$         | \$        |
| No. 190 Moulmein Road, #10-03 The Huntington Singapore 308095 <sup>(a)</sup> | Apartment unit | Residential  | Freehold | 1,650,000  | 1,650,000 |
| No 6 Tagore Drive B1-06 Tagore Building, Singapore 787623 <sup>(a)</sup>     | Office unit    | Office unit  | Freehold | 1,850,000  | 1,790,000 |
| No 6 Tagore Drive B1-05 Tagore Building, Singapore 787623 <sup>(a)</sup>     | Office unit    | Office unit  | Freehold | 1,750,000  | 1,700,000 |

(a) The investment property is leased to a non-related party under non-cancellable operating lease.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 10 INVESTMENT PROPERTIES (cont'd)

Fair value hierarchy:

|                         | Fair value measurements using   |   |  |
|-------------------------|---|---|--|
|                         | Quoted prices in<br>active markets for<br>identical assets<br>(Level 1)<br>\$ | Significant other<br>observable inputs<br>(Level 2)<br>\$ | Significant<br>unobservable<br>inputs<br>(Level 3)<br>\$ |
| <b>31 December 2015</b> |   |   |  |
| Residential             | –   | 1,650,000   | –  |
| Office units            | –   | 3,600,000   | –  |
| <b>31 December 2014</b> |   |   |  |
| Residential             | –   | 1,650,000   | –  |
| Office units            | –   | 3,490,000   | –  |

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's properties have been derived using the Direct Market Comparison method based on the properties' highest and best use. Market prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation method is market price per square metre.

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the properties' highest-and-best-use. As at 31 December 2015, the fair values of the properties have been determined by Savills Plc.

Changes in Level 2 fair values are analysed at each reporting date during the annual valuation discussion between management and the valuation team. As part of this discussion, the team presents a report that explains for the fair value movements.

## 11 OTHER RECEIVABLES – NON-CURRENT

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2015<br>\$ | 2014<br>\$ | 2015<br>\$ | 2014<br>\$ |
| Loan to associated company                      | 19,680,490 | 19,592,877 | –          | –          |
| Less: Allowance for impairment [Note 31(ii)(b)] | (650,000)  | –          | –          | –          |
|   | 19,030,490 | 19,592,877 | –          | –          |
| Loan to joint venture                           | 5,501,983  | 9,129,222  | –          | –          |
| Loan to subsidiary corporation                  | –          | –          | 17,844,278 | 17,494,678 |
|   | 24,532,473 | 28,722,099 | 17,844,278 | 17,494,678 |



## 11 OTHER RECEIVABLES – NON-CURRENT (cont'd)

The loan to associated company amounting to \$19,030,490 (2014: \$19,592,877) is unsecured, interest-bearing at 2.0% (2014: 2.0%) per annum above SIBOR and will be repayable in full on 26 June 2018.

The loan to joint venture of \$5,501,983 (2014: \$9,129,222) and loan to subsidiary corporation are unsecured and interest-free advances for the purpose of operating and development activities in their respective fields.

The loans have remaining maturity periods of 2 – 3 years (2014: 3 – 4 years). The loans are recognised initially at fair value. The differences between the fair values and the absolute loans' amount represent capital contributions to the associated company and subsidiary corporation.

The fair values of non-current other receivables are computed based on cash flows discounted at market borrowing rates. The fair values and the market borrowing rates used are as follows:

|                                | Group      |            | Company    |            | Borrowing rate |      |
|--------------------------------|------------|------------|------------|------------|----------------|------|
|                                | 2015       | 2014       | 2015       | 2014       | 2015           | 2014 |
|                                | \$         | \$         | \$         | \$         | %              | %    |
| Loans to associated company    | 17,770,045 | 18,075,712 | –          | –          | 1.38           | 1.63 |
| Loan to joint venture          | 5,208,469  | 8,559,168  | –          | –          | 1.38           | 1.63 |
| Loan to subsidiary corporation | –          | –          | 16,662,400 | 16,139,986 | 1.38           | 1.63 |

## 12 FINANCIAL ASSETS, AVAILABLE-FOR-SALE – NON-CURRENT

|   | Group   |           |
|---|---------|-----------|
|   | 2015    | 2014      |
|   | \$      | \$        |
| Beginning of financial year   | 995,445 | 1,712,793 |
| Fair value (loss)/gain recognised in other comprehensive income (Note 19) | (5,000) | 32,500    |
| Disposals   | –       | (749,848) |
| End of financial year   | 990,445 | 995,445   |

Financial assets, available-for-sale is analysed as follows:

|  | Group   |         |
|--|---------|---------|
|  | 2015    | 2014    |
|  | \$      | \$      |
| Listed debt securities   |         |         |
| – Bonds with fixed interest of 5.125% without fixed maturity – Singapore | 990,445 | 995,445 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 13 PROPERTY, PLANT AND EQUIPMENT

|  | Building         | Leasehold property | Freehold land    | Plant and machinery | Motor vehicles   | Office equipment | Furniture and fittings | Signboard    | Total             |
|--|------------------|--------------------|------------------|---------------------|------------------|------------------|------------------------|--------------|-------------------|
|  | \$               | \$                 | \$               | \$                  | \$               | \$               | \$                     | \$           | \$                |
| <b>Group</b>                                   |                  |                    |                  |                     |                  |                  |                        |              |                   |
| <b>2015</b>                                    |                  |                    |                  |                     |                  |                  |                        |              |                   |
| <b>Cost</b>                                    |                  |                    |                  |                     |                  |                  |                        |              |                   |
| Beginning of financial year                    | 3,404,068        | 3,680,257          | 2,111,614        | 23,073,902          | 11,071,779       | 508,699          | 887,691                | 10,450       | 44,748,460        |
| Additions                                      | –                | –                  | –                | 2,136,310           | 742,531          | –                | –                      | –            | 2,878,841         |
| Disposals                                      | –                | –                  | –                | (349,100)           | (206,407)        | –                | –                      | –            | (555,507)         |
| End of financial year                          | 3,404,068        | 3,680,257          | 2,111,614        | 24,861,112          | 11,607,903       | 508,699          | 887,691                | 10,450       | 47,071,794        |
| <b>Accumulated depreciation</b>                |                  |                    |                  |                     |                  |                  |                        |              |                   |
| Beginning of financial year                    | 202,907          | 1,226,751          | –                | 15,760,331          | 8,251,166        | 292,978          | 522,898                | 5,225        | 26,262,256        |
| Depreciation charge (Note 24)                  | 68,082           | 245,351            | –                | 1,795,517           | 699,099          | 99,089           | 175,250                | 1,045        | 3,083,433         |
| Disposals                                      | –                | –                  | –                | (324,530)           | (154,699)        | –                | –                      | –            | (479,229)         |
| End of financial year                          | 270,989          | 1,472,102          | –                | 17,231,318          | 8,795,566        | 392,067          | 698,148                | 6,270        | 28,866,460        |
| <b>Net book value at end of financial year</b> | <b>3,133,079</b> | <b>2,208,155</b>   | <b>2,111,614</b> | <b>7,629,794</b>    | <b>2,812,337</b> | <b>116,632</b>   | <b>189,543</b>         | <b>4,180</b> | <b>18,205,334</b> |
| <b>2014</b>                                    |                  |                    |                  |                     |                  |                  |                        |              |                   |
| <b>Cost</b>                                    |                  |                    |                  |                     |                  |                  |                        |              |                   |
| Beginning of financial year                    | 3,404,068        | 3,680,257          | 2,111,614        | 22,578,727          | 9,891,906        | 493,699          | 887,691                | 10,450       | 43,058,412        |
| Additions                                      | –                | –                  | –                | 722,800             | 1,622,010        | 15,000           | –                      | –            | 2,359,810         |
| Disposals                                      | –                | –                  | –                | (227,625)           | (442,137)        | –                | –                      | –            | (669,762)         |
| End of financial year                          | 3,404,068        | 3,680,257          | 2,111,614        | 23,073,902          | 11,071,779       | 508,699          | 887,691                | 10,450       | 44,748,460        |
| <b>Accumulated depreciation</b>                |                  |                    |                  |                     |                  |                  |                        |              |                   |
| Beginning of financial year                    | 134,826          | 981,401            | –                | 14,264,492          | 8,010,981        | 193,885          | 347,435                | 4,180        | 23,937,200        |
| Depreciation charge (Note 24)                  | 68,081           | 245,350            | –                | 1,716,689           | 609,300          | 99,093           | 175,463                | 1,045        | 2,915,021         |
| Disposals                                      | –                | –                  | –                | (220,850)           | (369,115)        | –                | –                      | –            | (589,965)         |
| End of financial year                          | 202,907          | 1,226,751          | –                | 15,760,331          | 8,251,166        | 292,978          | 522,898                | 5,225        | 26,262,256        |
| <b>Net book value at end of financial year</b> | <b>3,201,161</b> | <b>2,453,506</b>   | <b>2,111,614</b> | <b>7,313,571</b>    | <b>2,820,613</b> | <b>215,721</b>   | <b>364,793</b>         | <b>5,225</b> | <b>18,486,204</b> |

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

|  | Motor<br>vehicles<br>\$ | Building<br>cost<br>\$ | Freehold<br>land<br>\$ | Office<br>equipment<br>\$ | Furniture<br>and<br>fittings<br>\$ | Total<br>\$ |
|--|-------------------------|------------------------|------------------------|---------------------------|------------------------------------|-------------|
| <b>Company</b>                                 |                         |                        |                        |                           |                                    |             |
| <b>2015</b>                                    |                         |                        |                        |                           |                                    |             |
| <b>Cost</b>                                    |                         |                        |                        |                           |                                    |             |
| Beginning and end of financial year            | 148,988                 | 3,404,067              | 2,111,614              | 388,519                   | 883,858                            | 6,937,046   |
| <b>Accumulated depreciation</b>                |                         |                        |                        |                           |                                    |             |
| Beginning of financial year                    | 148,988                 | 202,906                | –                      | 233,349                   | 521,493                            | 1,106,736   |
| Depreciation charge                            | –                       | 68,082                 | –                      | 75,851                    | 174,867                            | 318,800     |
| End of financial year                          | 148,988                 | 270,988                | –                      | 309,200                   | 696,360                            | 1,425,536   |
| <b>Net book value at end of financial year</b> | –                       | 3,133,079              | 2,111,614              | 79,319                    | 187,498                            | 5,511,510   |
| <b>2014</b>                                    |                         |                        |                        |                           |                                    |             |
| <b>Cost</b>                                    |                         |                        |                        |                           |                                    |             |
| Beginning and end of financial year            | 148,988                 | 3,404,067              | 2,111,614              | 388,519                   | 883,858                            | 6,937,046   |
| <b>Accumulated depreciation</b>                |                         |                        |                        |                           |                                    |             |
| Beginning of financial year                    | 148,988                 | 134,825                | –                      | 157,497                   | 346,413                            | 787,723     |
| Depreciation charge                            | –                       | 68,081                 | –                      | 75,852                    | 175,080                            | 319,013     |
| End of financial year                          | 148,988                 | 202,906                | –                      | 233,349                   | 521,493                            | 1,106,736   |
| <b>Net book value at end of financial year</b> | –                       | 3,201,161              | 2,111,614              | 155,170                   | 362,365                            | 5,830,310   |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(i) As at 31 December 2015, the details of the Group's leasehold property is as follows:

| Properties/Location                       | Nature    | Purpose                              | Approximate<br>built-in area<br>(in sq. ft.) | Net book value |            |
|---|-----------|--------------------------------------|--|----------------|------------|
|   |           |                                      |  | 2015<br>\$     | 2014<br>\$ |
| 2A Sungei Kadut Drive<br>Singapore 729554 | Leasehold | Fabrication yard/<br>workshop/office | 55,865                                       | 2,208,155      | 2,453,506  |

(ii) Included within additions in the consolidated financial statements are plant and machinery, and motor vehicles acquired under finance leases amounting to \$1,255,935 (2014: \$286,202) and \$112,300 (2014: \$94,500) respectively.

The carrying amount of plant and machinery, and motor vehicles held under finance leases are \$3,212,374 (2014: \$2,135,811) and \$835,932 (2014: \$507,598) respectively at the balance sheet date.

## 14 INTANGIBLE ASSETS

|                                   | Group            |                  | Company       |               |
|-----------------------------------|------------------|------------------|---------------|---------------|
|                                   | 2015<br>\$       | 2014<br>\$       | 2015<br>\$    | 2014<br>\$    |
| <b>Composition:</b>               |                  |                  |               |               |
| Goodwill arising on consolidation | 1,687,551        | 1,687,551        | –             | –             |
| Computer software licenses        | 83,309           | 141,018          | 20,609        | 15,618        |
|                                   | <u>1,770,860</u> | <u>1,828,569</u> | <u>20,609</u> | <u>15,618</u> |

(a) Goodwill arising on consolidation

This represents goodwill on consolidation which is the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

|                                     | Group            |                  | Company    |            |
|-------------------------------------|------------------|------------------|------------|------------|
|                                     | 2015<br>\$       | 2014<br>\$       | 2015<br>\$ | 2014<br>\$ |
| <i>Cost/Net book value</i>          |                  |                  |            |            |
| Beginning and end of financial year | <u>1,687,551</u> | <u>1,687,551</u> | <u>–</u>   | <u>–</u>   |

### Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to business segments.

A segment-level summary of the goodwill allocation is as follows:

|              | Group            |                  |
|--------------|------------------|------------------|
|              | 2015<br>\$       | 2014<br>\$       |
| Construction | 1,485,045        | 1,485,045        |
| Maintenance  | 202,506          | 202,506          |
|              | <u>1,687,551</u> | <u>1,687,551</u> |

## 14 INTANGIBLE ASSETS (cont'd)

### (a) Goodwill arising on consolidation (cont'd)

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in these value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rates did not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

|               | Construction | Maintenance |
|---------------|--------------|-------------|
| <b>2015</b>   |              |             |
| Gross margin  | 8% – 15%     | 5% – 10%    |
| Growth rate   | 5%           | 10%         |
| Discount rate | 1% – 2%      | 1% – 2%     |
| <b>2014</b>   |              |             |
| Gross margin  | 8% – 15%     | 5% – 10%    |
| Growth rate   | 5%           | 10%         |
| Discount rate | 1% – 2%      | 1% – 2%     |

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market developments. The average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

### (b) Computer software licenses

|                                 | Group   |         | Company |        |
|---------------------------------|---------|---------|---------|--------|
|                                 | 2015    | 2014    | 2015    | 2014   |
|                                 | \$      | \$      | \$      | \$     |
| <b>Cost</b>                     |         |         |         |        |
| Beginning of financial year     | 352,546 | 352,546 | 39,046  | 39,046 |
| Additions                       | 16,000  | –       | 16,000  | –      |
| End of financial year           | 368,546 | 352,546 | 55,046  | 39,046 |
| <b>Accumulated amortisation</b> |         |         |         |        |
| Beginning of financial year     | 211,528 | 141,018 | 23,428  | 15,618 |
| Amortisation charge (Note 24)   | 73,709  | 70,510  | 11,009  | 7,810  |
| End of financial year           | 285,237 | 211,528 | 34,437  | 23,428 |
| Net book value                  | 83,309  | 141,018 | 20,609  | 15,618 |



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 15 TRADE AND OTHER PAYABLES

|   | Group      |            | Company   |           |
|---|------------|------------|-----------|-----------|
|   | 2015       | 2014       | 2015      | 2014      |
|   | \$         | \$         | \$        | \$        |
| Trade payables  |            |            |           |           |
| – Non-related parties                                     | 15,549,116 | 19,777,027 | 91,931    | 57,962    |
| Non-trade payables  |            |            |           |           |
| – Subsidiary corporations                                 | –          | –          | 5,347,137 | 5,348,939 |
| – Non-controlling shareholder of a subsidiary corporation | –          | 449,534    | –         | –         |
| – Joint venture partners                                  | 50,000     | 50,000     | –         | –         |
|   | 50,000     | 499,534    | 5,347,137 | 5,348,939 |
| Construction contracts                                    |            |            |           |           |
| – Advances received (Note 6)                              | –          | 1,138,804  | –         | –         |
| Accrued operating expenses                                | 13,581,732 | 9,785,786  | 1,428,100 | 909,257   |
| Other payables  | 133,536    | 107,759    | –         | –         |
|   | 29,314,384 | 31,308,910 | 6,867,168 | 6,316,158 |

The non-trade amounts due to subsidiary corporations, non-controlling shareholder of a subsidiary corporation and joint venture partners are unsecured, interest-free and are repayable on demand.

## 16 FINANCE LEASE LIABILITIES

The Group leases certain plant and machinery, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

|  | Group     |           |
|--|-----------|-----------|
|  | 2015      | 2014      |
|  | \$        | \$        |
| Minimum lease payments due:                |           |           |
| – Not later than one year                  | 1,012,353 | 820,260   |
| – Between one and five years               | 1,740,040 | 1,561,346 |
|  | 2,752,393 | 2,381,606 |
| Less: Future finance charges               | (165,215) | (146,685) |
| Present value of finance lease liabilities | 2,587,178 | 2,234,921 |

The present values of finance lease liabilities are analysed as follows:

|                            | Group     |           |
|----------------------------|-----------|-----------|
|                            | 2015      | 2014      |
|                            | \$        | \$        |
| Not later than one year    | 949,941   | 722,049   |
| Between one and five years | 1,637,237 | 1,512,872 |
| Total                      | 2,587,178 | 2,234,921 |

## 16 FINANCE LEASE LIABILITIES (cont'd)

The exposure of the finance leases of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

|                  | Group     |           |
|------------------|-----------|-----------|
|                  | 2015      | 2014      |
|                  | \$        | \$        |
| 6 months or less | 505,004   | 350,439   |
| 6 – 12 months    | 444,937   | 371,610   |
| 1 – 5 years      | 1,637,237 | 1,512,872 |
|                  | 2,587,178 | 2,234,921 |

The fair values of the non-current finance lease liabilities approximate their carrying amounts.

### Security granted

Finance lease liabilities of the Group are effectively secured over the leased plant and machinery, and motor vehicles (Note 13), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities. The finance lease liabilities are also secured by the Company's corporate guarantee (Note 34).

## 17 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

|                                 | Group   |         | Company |        |
|---------------------------------|---------|---------|---------|--------|
|                                 | 2015    | 2014    | 2015    | 2014   |
|                                 | \$      | \$      | \$      | \$     |
| Deferred income tax liabilities |         |         |         |        |
| – to be settled within one year | 153,241 | 42,271  | 41,414  | 809    |
| – to be settled after one year  | 477,561 | 518,262 | 7,448   | 85,876 |
|                                 | 630,802 | 560,533 | 48,862  | 86,685 |

Movement in deferred income tax account is as follows:

|   | Group   |           | Company  |         |
|---|---------|-----------|----------|---------|
|   | 2015    | 2014      | 2015     | 2014    |
|   | \$      | \$        | \$       | \$      |
| Beginning of financial year                               | 560,533 | 989,754   | 86,685   | 90,287  |
| Tax charge/(credit) to                                    |         |           |          |         |
| – profit or loss (Note 27)                                | 64,481  | 223,466   | (37,823) | (3,602) |
| – equity (Note 19)  | –       | (6,936)   | –        | –       |
|   | 64,481  | 216,530   | (37,823) | (3,602) |
| Under/(over) provision in prior financial years (Note 27) | 5,788   | (645,751) | –        | –       |
| End of financial year                                     | 630,802 | 560,533   | 48,862   | 86,685  |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 17 DEFERRED INCOME TAXES (cont'd)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

### Group

#### Deferred income tax liabilities

|                              | Accelerated tax<br>depreciation<br>\$ | Fair<br>value gain<br>\$ | Total<br>\$ |
|------------------------------|---------------------------------------|--------------------------|-------------|
| <b>2015</b>                  |                                       |                          |             |
| Beginning of financial year  | 548,862                               | 11,671                   | 560,533     |
| Tax charge to profit or loss | 70,269                                | –                        | 70,269      |
| End of financial year        | 619,131                               | 11,671                   | 630,802     |
| <b>2014</b>                  |                                       |                          |             |
| Beginning of financial year  | 971,147                               | 18,607                   | 989,754     |
| Tax credit to profit or loss | (422,285)                             | –                        | (422,285)   |
| Tax credit to equity         | –                                     | (6,936)                  | (6,936)     |
| End of financial year        | 548,862                               | 11,671                   | 560,533     |

### Company

#### Deferred income tax liabilities

|                              | Accelerated tax<br>depreciation<br>\$ |
|------------------------------|---------------------------------------|
| <b>2015</b>                  |                                       |
| Beginning of financial year  | 86,685                                |
| Tax credit to profit or loss | (37,823)                              |
| End of financial year        | 48,862                                |
| <b>2014</b>                  |                                       |
| Beginning of financial year  | 90,287                                |
| Tax credit to profit or loss | (3,602)                               |
| End of financial year        | 86,685                                |

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profit is probable. The Group has unrecognised tax losses of \$70,930 (2014: \$453,860) and capital allowances of \$ Nil (2014: \$2,338,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in Singapore. The tax losses and capital allowances have no expiry date.

18 SHARE CAPITAL

|                                     | No. of ordinary<br>shares | Amount<br>\$ |
|-------------------------------------|---------------------------|--------------|
| <b>Group and Company</b>            |                           |              |
| <b>2015</b>                         |                           |              |
| Beginning and end of financial year | 308,430,594               | 36,832,301   |
| <b>2014</b>                         |                           |              |
| Beginning and end of financial year | 308,430,594               | 36,832,301   |

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

19 OTHER RESERVES

|                           | Group            |                  |
|---------------------------|------------------|------------------|
|                           | 2015             | 2014             |
|                           | \$               | \$               |
| <b>(a) Composition:</b>   |                  |                  |
| Fair value reserve        | (24,107)         | (19,107)         |
| Asset revaluation reserve | 1,372,330        | 1,372,330        |
|                           | <u>1,348,223</u> | <u>1,353,223</u> |

**(b) Movements:**

(i) Fair value reserve

|  | Group           |                 |
|--|-----------------|-----------------|
|  | 2015            | 2014            |
|  | \$              | \$              |
| Beginning of financial year                  | (19,107)        | (7,216)         |
| Financial assets, available-for-sale         |                 |                 |
| – Fair value (loss)/gain (Note 12)           | (5,000)         | 32,500          |
| – Tax on fair value changes (Note 17)        | –               | 6,936           |
|  | (5,000)         | 39,436          |
| Reclassification to profit or loss (Note 24) | –               | (51,327)        |
| End of financial year                        | <u>(24,107)</u> | <u>(19,107)</u> |

(ii) Asset revaluation reserve

|                                     | Group            |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2015             | 2014             |
|                                     | \$               | \$               |
| Beginning and end of financial year | <u>1,372,330</u> | <u>1,372,330</u> |

Other reserves are non-distributable.

• • •

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 20 RETAINED PROFITS

- (a) Retained profits of the Group and the Company are distributable.
- (b) Movement in retained profits for the Company is as follows:

|                             | Company          |                  |
|-----------------------------|------------------|------------------|
|                             | 2015             | 2014             |
|                             | \$               | \$               |
| Beginning of financial year | 3,796,021        | 3,824,007        |
| Net profit                  | 3,817,584        | 897,305          |
| Dividends paid (Note 29)    | (616,861)        | (925,291)        |
| End of financial year       | <u>6,996,744</u> | <u>3,796,021</u> |

## 21 REVENUE

|                           | Group              |                    |
|---------------------------|--------------------|--------------------|
|                           | 2015               | 2014               |
|                           | \$                 | \$                 |
| Revenue from construction | 77,571,894         | 71,112,754         |
| Revenue from maintenance  | 25,717,928         | 38,363,263         |
|                           | <u>103,289,822</u> | <u>109,476,017</u> |

## 22 COST OF WORKS

Included in the cost of works are the following:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2015             | 2014             |
|  | \$               | \$               |
| Depreciation of property, plant and equipment  | 2,441,776        | 2,284,381        |
| Employee compensation costs:   |                  |                  |
| – Salaries and bonuses   | 19,428,682       | 21,341,403       |
| – Employer's contribution to defined contribution plans including Central Provident Fund | <u>4,496,280</u> | <u>4,475,510</u> |



23 OTHER INCOME

|  | Group            |                  |
|--|------------------|------------------|
|  | 2015             | 2014             |
|  | \$               | \$               |
| Interest income  |                  |                  |
| – bank deposits  | 297,559          | 120,259          |
| – loans to an associated company                                 | 87,613           | 477,149          |
| – financial assets, held-to-maturity                             | –                | 11,722           |
| – financial assets, available-for-sale                           | 51,320           | 59,056           |
|  | 436,492          | 668,186          |
| Rental income  |                  |                  |
| – investment properties (Note 10)                                | 190,330          | 117,482          |
| – machinery  | 36,134           | 475              |
|  | 226,464          | 117,957          |
| Fair value gain on investment properties (Note 10)               | 110,000          | 120,000          |
| Net gain on disposal of property, plant and equipment            | 69,949           | 185,141          |
| Government grant   |                  |                  |
| – Building and Construction Authority related grant <sup>a</sup> | 26,669           | 27,498           |
| – Quieter Construction Fund <sup>b</sup>                         | 57,200           | –                |
| – Special Employment Credit <sup>c</sup>                         | 50,709           | 45,610           |
| – Wage Credit Scheme <sup>d</sup>                                | 65,185           | 50,494           |
| – Temporary Employment Credit <sup>e</sup>                       | 45,930           | –                |
| – Productivity and Innovation Credit Scheme <sup>f</sup>         | –                | 30,000           |
|  | 245,693          | 153,602          |
| Back charges to sub-contractors                                  | –                | 145,632          |
| Currency translation gain – net                                  | 215,069          | 88,251           |
| Technical management consultancy fee                             | 856,050          | –                |
| Sale of materials  | 153,330          | –                |
| Waiver of debts from other payables                              | 437,824          | –                |
| Other  | 48,785           | 93,762           |
|  | <u>2,799,656</u> | <u>1,572,531</u> |

- a. The Group received grants awarded by the Building and Construction Authority (“BCA”) upon attainment of membership during the financial year. Funds received from BCA include that for workforce development, technology adoption, capability development, which aims to improve the productivity and capability of the Group.
- b. The Quieter Construction Fund (“QCF”) is a funding scheme to support Singapore-registered companies to adopt the use of quieter construction machines, noise control equipment and encourage innovative solutions to mitigate noise and hence, reduce the impact of construction noise on sensitive premises to achieve a quieter living environment.
- c. The Special Employment Credit (“SEC”) was introduced as a Budget Initiative in 2011 to support employers, and to raise the employability of older low-wage Singaporeans. It was enhanced in 2012 to provide employers with continuing support to hire older Singaporean workers.
- d. The Wage Credit Scheme is to help businesses which may face rising wage costs in a tight labour market. Wage Credit Scheme payouts will allow businesses to free up resources to make investments in productivity and to share the productivity gains with their employees.
- e. The Temporary Employment Credit (“TEC”) was announced as a Budget 2014 initiative to help employers adjust to the 1 percentage point increase in Medisave contribution rates which took effect in January 2015. With the TEC, employers will receive a one-year offset of 0.5% of wages for their Singaporean and Singapore Permanent Resident (“PR”) employees in 2015.
- f. As announced in Budget 2013, businesses that invest in qualifying activities under the Productivity and Innovation Credit (“PIC”) scheme will receive a PIC Bonus in order to help businesses defray rising operating costs such as wages and rentals and encourages businesses to undertake improvements in productivity and innovation.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 24 EXPENSES BY NATURE

|  | Group      |             |
|--|------------|-------------|
|  | 2015       | 2014        |
|  | \$         | \$          |
| Fees paid/payable to auditor of the Company for:               |            |             |
| – audit services   | 133,375    | 132,750     |
| – non-audit services   | 30,023     | 28,800      |
| Purchases of materials   | 21,164,339 | 29,779,879  |
| Sub-contractors' cost  | 29,425,170 | 29,305,544  |
| Amortisation of intangible assets [(Note 14(b))]               | 73,709     | 70,510      |
| Allowance for impairment of other receivables [Note 31(ii)(b)] | 650,000    | 1,474,203   |
| Depreciation of property, plant and equipment (Note 13)        | 3,083,433  | 2,915,021   |
| Employees compensation (Note 25)                               | 29,719,321 | 31,052,261  |
| Reclassification from other comprehensive income (Note 19)     | –          | (51,327)    |
| Professional fees  | 2,889,816  | 2,093,367   |
| Property tax   | 114,308    | 113,316     |
| Worksite expenses  | 2,445,050  | 3,139,621   |
| Rental expenses on operating lease                             | 1,238,941  | 1,770,857   |
| Upkeep of machineries and equipment                            | 1,912,940  | 2,375,936   |
| Upkeep of motor vehicles and lorries                           | 1,114,765  | 1,251,573   |
| Security fees  | 803,533    | 900,293     |
| Other expenses   | 3,750,712  | 2,482,716   |
| Total cost of works, administrative and other expenses         | 98,549,435 | 108,835,320 |

## 25 EMPLOYEES COMPENSATION

|  | Group      |            |
|--|------------|------------|
|  | 2015       | 2014       |
|  | \$         | \$         |
| Salaries and bonuses   | 24,950,823 | 26,314,441 |
| Employer's contribution to defined contribution plans including Central Provident Fund | 4,768,498  | 4,737,820  |
|  | 29,719,321 | 31,052,261 |

## 26 FINANCE EXPENSES

|                             | Group  |        |
|-----------------------------|--------|--------|
|                             | 2015   | 2014   |
|                             | \$     | \$     |
| Interest expense            |        |        |
| – Finance lease liabilities | 61,945 | 53,675 |

## 27 INCOME TAXES

(a) Income tax expense

|  | <b>Group</b>   |                  |
|--|----------------|------------------|
|  | <b>2015</b>    | <b>2014</b>      |
|  | <b>\$</b>      | <b>\$</b>        |
| Tax expense attributable to profit is made up of:              |                |                  |
| Profit for the financial year:                                 |                |                  |
| – Current income tax – Singapore                               | 508,700        | 140,000          |
| – Deferred income tax (Note 17)                                | 64,481         | 223,466          |
|  | <u>573,181</u> | <u>363,466</u>   |
| Under/(over) provision of income tax in prior financial years: |                |                  |
| – Current income tax – Singapore                               | 22,836         | (57,244)         |
| – Deferred income tax (Note 17)                                | 5,788          | (645,751)        |
|  | <u>601,805</u> | <u>(339,529)</u> |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax is as follows:

|  | <b>Group</b>     |                  |
|--|------------------|------------------|
|  | <b>2015</b>      | <b>2014</b>      |
|  | <b>\$</b>        | <b>\$</b>        |
| Profit before income tax   | 7,605,645        | 2,199,289        |
| Share of profit of joint ventures, net of tax  | (79,648)         | (315,385)        |
| Share of (profit)/loss of associated companies, net of tax                               | (47,900)         | 224,322          |
| Profit before income tax and share of results of associated companies and joint ventures | <u>7,478,097</u> | <u>2,108,226</u> |
| Tax calculated at a tax rate of 17% (2014: 17%)  | 1,271,276        | 358,399          |
| Effects of:  |                  |                  |
| – tax incentives   | (399,797)        | (163,947)        |
| – income not subject to tax  | (136,454)        | (250,479)        |
| – expenses not deductible for tax purposes   | 310,497          | 305,308          |
| – deferred income tax assets not recognised  | –                | 83,445           |
| – utilisation of previously unrecognised   |                  |                  |
| • tax losses   | (65,098)         | –                |
| • capital allowances   | (397,460)        | –                |
| – other  | (9,783)          | 30,740           |
|  | <u>573,181</u>   | <u>363,466</u>   |

(b) Movement in current income tax liabilities

|   | <b>Group</b>   |                | <b>Company</b> |               |
|---|----------------|----------------|----------------|---------------|
|   | <b>2015</b>    | <b>2014</b>    | <b>2015</b>    | <b>2014</b>   |
|   | <b>\$</b>      | <b>\$</b>      | <b>\$</b>      | <b>\$</b>     |
| Beginning of financial year                     | 172,486        | 470,445        | 21,000         | 20,000        |
| Income tax paid                                 | (154,682)      | (380,715)      | (4,555)        | (10,010)      |
| Tax expense                                     | 508,700        | 140,000        | 49,000         | 21,000        |
| Under/(over) provision in prior financial years | 22,836         | (57,244)       | –              | (9,990)       |
| End of financial year                           | <u>549,340</u> | <u>172,486</u> | <u>65,445</u>  | <u>21,000</u> |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

|   | Group       |             |
|---|-------------|-------------|
|   | 2015        | 2014        |
|   | \$          | \$          |
| Net profit attributable to equity holders of the Company                            | \$7,004,744 | \$2,541,056 |
| Weighted average number of ordinary shares outstanding for basic earnings per share | 308,430,594 | 308,430,594 |
| Basic and diluted earnings per share (cents per share)                              | 2.27        | 0.82        |

Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

## 29 DIVIDENDS

|   | Group and Company |         |
|---|-------------------|---------|
|   | 2015              | 2014    |
|   | \$                | \$      |
| <i>Ordinary dividends paid</i>  |                   |         |
| Final one-tier tax exempt dividend paid in respect of the previous financial year of \$0.001<br>(2014: \$0.003) per share (Note 20) | 308,431           | 925,291 |
| Interim one-tier tax exempt dividend in respect of current financial year of \$0.001<br>(2014: \$ Nil) per share (Note 20)          | 308,430           | -       |
|   | 616,861           | 925,291 |

At the coming Annual General Meeting on 18 April 2016, a final tax exempt (one-tier) dividend of \$0.007 per share and a special tax exempt (one-tier) dividend of \$0.003 per share amounting to a total of approximately \$3,084,306 will be recommended. These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2016.

### 30 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

#### Key management personnel compensation

|  | <b>Group</b>     |                  |
|--|------------------|------------------|
|  | <b>2015</b>      | <b>2014</b>      |
|  | <b>\$</b>        | <b>\$</b>        |
| Wages and salaries   | 3,651,525        | 3,070,107        |
| Employer's contribution to defined contribution plans including Central Provident Fund | 102,392          | 94,527           |
|  | <u>3,753,917</u> | <u>3,164,634</u> |

Included in the above is total compensation to directors of the Company amounting to \$3,084,106 (2014: \$2,512,880).

### 31 FINANCIAL RISK MANAGEMENT

#### *Financial risk factors*

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board of Directors then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

#### **(i) Market risk**

##### *(a) Currency risk*

The Group's exposure to foreign exchange rate risk is kept at minimal level as its costs and revenues are predominately denominated in Singapore Dollar. Currency risk arises within entities in the Group when transactions denominated in foreign currencies such as the United States Dollar ("USD").



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 31 FINANCIAL RISK MANAGEMENT (cont'd)

### (i) Market risk (cont'd)

#### (a) Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

|  | SGD<br>\$   | USD<br>\$ | Total<br>\$ |
|--|-------------|-----------|-------------|
| <b>At 31 December 2015</b>   |             |           |             |
| <b>Financial assets</b>  |             |           |             |
| Cash and cash equivalents and financial assets,<br>available-for-sale  | 52,804,012  | 2,875,092 | 55,679,104  |
| Trade and other receivables  | 47,986,567  | –         | 47,986,567  |
| Inter-company balances   | 12,061,801  | –         | 12,061,801  |
|  | 112,852,380 | 2,875,092 | 115,727,472 |
| <b>Financial liabilities</b>   |             |           |             |
| Finance lease liabilities  | 2,587,178   | –         | 2,587,178   |
| Other financial liabilities  | 29,314,384  | –         | 29,314,384  |
| Inter-company balances   | 12,061,801  | –         | 12,061,801  |
|  | 43,963,363  | –         | 43,963,363  |
| Net financial assets   | 68,889,017  | 2,875,092 | 71,764,109  |
| Currency exposure of financial assets net of those<br>denominated in the respective entities' functional<br>currencies | –           | 2,875,092 | 2,875,092   |
| <b>At 31 December 2014</b>   |             |           |             |
| <b>Financial assets</b>  |             |           |             |
| Cash and cash equivalents and financial assets,<br>available-for-sale  | 32,348,564  | 2,656,242 | 35,004,806  |
| Trade and other receivables  | 62,218,252  | –         | 62,218,252  |
| Inter-company balances   | 13,615,492  | –         | 13,615,492  |
|  | 108,182,308 | 2,656,242 | 110,838,550 |
| <b>Financial liabilities</b>   |             |           |             |
| Finance lease liabilities  | 2,234,921   | –         | 2,234,921   |
| Other financial liabilities  | 31,308,910  | –         | 31,308,910  |
| Inter-company balances   | 13,615,492  | –         | 13,615,492  |
|  | 47,159,323  | –         | 47,159,323  |
| Net financial assets   | 61,022,985  | 2,656,242 | 63,679,227  |
| Currency exposure of financial assets net of those<br>denominated in the respective entities' functional<br>currencies | –           | 2,656,242 | 2,656,242   |

31 FINANCIAL RISK MANAGEMENT (cont'd)

(i) Market risk (cont'd)

(a) Currency risk (cont'd)

The Company's currency exposure based on the information provided to key management is as follows:

|  | SGD<br>\$         | USD<br>\$      | Total<br>\$       |
|--|-------------------|----------------|-------------------|
| <b>At 31 December 2015</b>   |                   |                |                   |
| <b>Financial assets</b>  |                   |                |                   |
| Cash and cash equivalents  | 2,490,400         | 792,723        | 3,283,123         |
| Trade and other receivables  | 24,452,922        | –              | 24,452,922        |
|  | <u>26,943,322</u> | <u>792,723</u> | <u>27,736,045</u> |
| <b>Financial liabilities</b>   |                   |                |                   |
| Other financial liabilities  | 6,867,168         | –              | 6,867,168         |
| Net financial assets   | <u>20,076,154</u> | <u>792,723</u> | <u>20,868,877</u> |
| Currency exposure of financial assets net of those<br>denominated in the respective entities' functional<br>currencies | <u>–</u>          | <u>792,723</u> | <u>792,723</u>    |
| <b>At 31 December 2014</b>   |                   |                |                   |
| <b>Financial assets</b>  |                   |                |                   |
| Cash and cash equivalents  | 2,931,215         | 741,207        | 3,672,422         |
| Trade and other receivables  | 19,988,223        | –              | 19,988,223        |
|  | <u>22,919,438</u> | <u>741,207</u> | <u>23,660,645</u> |
| <b>Financial liabilities</b>   |                   |                |                   |
| Other financial liabilities  | 6,316,158         | –              | 6,316,158         |
| Net financial assets   | <u>16,603,280</u> | <u>741,207</u> | <u>17,344,487</u> |
| Currency exposure of financial assets net of those<br>denominated in the respective entities' functional<br>currencies | <u>–</u>          | <u>741,207</u> | <u>741,207</u>    |

If the USD changes against the SGD by 7% (2014: 5%) with all other variables including tax rate being held constant, the effect arising from the net financial asset position will be insignificant.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 31 FINANCIAL RISK MANAGEMENT (cont'd)

### (i) Market risk (cont'd)

#### (b) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's finance costs are substantially independent of changes in market interest rates.

The Group's interest rate risk is primarily from short-term deposits (that will mature from 1 to 12 months) and interest-bearing advances to associated company. These short-term bank deposits are placed on a short-term basis according to the Group's cash flow requirements, and hence the Group does not hedge against interest rate fluctuations.

The effective interest rates for short-term deposits and advances to associated company ranged from 0.075% to 0.8% and 2% above Sibor respectively per annum in 2015 (2014: 0.075% to 0.8% and 2% above Sibor respectively per annum). If the interest rates had increased/decreased by 0.5% (2014: 0.5%) with all other variables including tax rate being held constant, the effect to net profit as a result of higher/lower interest income on these deposits will not be significant.

#### (c) Price risks

The Group is exposed to debt securities price risk arising from the investments held by the Group which is classified as available-for-sale and held-to-maturity on the consolidated balance sheet. To manage its price risk arising from investments in debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

If price for debts securities change by 5% (2014: 5%) with all other variables including tax rate being held constant, the effects on other comprehensive income will not be significant.

## 31 FINANCIAL RISK MANAGEMENT (cont'd)

### (ii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of focusing on government bodies as its customers due to their low default risk on billings and payments. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group Managing Director based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Group Managing Director.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

|  | <b>Company</b> |             |
|--|----------------|-------------|
|  | <b>2015</b>    | <b>2014</b> |
|  | <b>\$</b>      | <b>\$</b>   |
| <hr/>  |                |             |
| Corporate guarantees provided to banks for subsidiary corporations' banking facilities |                |             |
| – Finance lease (Note 16 and 34)   | 2,587,178      | 2,234,921   |

The trade receivables of the Group comprise 2 debtors (2014: 3 debtors) that individually represented 12% – 71% (2014: 20% – 45%) of trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

|                              | <b>Group</b>     |                  | <b>Company</b>   |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | <b>2015</b>      | <b>2014</b>      | <b>2015</b>      | <b>2014</b>      |
|                              | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        |
| <hr/>                        |                  |                  |                  |                  |
| <u>By geographical areas</u> |                  |                  |                  |                  |
| Singapore                    | 2,363,626        | 8,354,134        | 6,516,670        | 2,450,000        |
| <hr/>                        |                  |                  |                  |                  |
| <u>By types of customers</u> |                  |                  |                  |                  |
| Non-related parties          |                  |                  |                  |                  |
| – Government bodies          | 1,961,280        | 6,599,882        | –                | –                |
| – Non-government bodies      | 402,346          | 1,754,252        | –                | –                |
| Subsidiary corporations      | –                | –                | 6,516,670        | 2,450,000        |
|                              | <u>2,363,626</u> | <u>8,345,134</u> | <u>6,516,670</u> | <u>2,450,000</u> |

#### (a) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 31 FINANCIAL RISK MANAGEMENT (cont'd)

### (ii) Credit risk (cont'd)

#### (b) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade receivables past due but not impaired is as follows:

|                        | Group     |         |
|------------------------|-----------|---------|
|                        | 2015      | 2014    |
|                        | \$        | \$      |
| Past due <3 months     | 1,758,510 | 280,541 |
| Past due 3 to 6 months | 578,236   | -       |
|                        | 2,336,746 | 280,541 |

The carrying amount of other receivables individually determined to be impaired and the movement in the allowance for impairment is as follows:

|                                | Group       |             | Company   |           |
|--------------------------------|-------------|-------------|-----------|-----------|
|                                | 2015        | 2014        | 2015      | 2014      |
|                                | \$          | \$          | \$        | \$        |
| <b>Current</b>                 |             |             |           |           |
| Past due more than 1 year      | -           | 1,474,203   | 687,863   | 687,863   |
| Less: Allowance for impairment | -           | (1,474,203) | (687,863) | (687,863) |
|                                | -           | -           | -         | -         |
| Beginning of financial year    | 1,474,203   | 1,474,203   | 687,863   | 687,863   |
| Allowance made                 | -           | -           | -         | -         |
| Allowance utilised             | (1,474,203) | -           | -         | -         |
| End of financial year          | -           | 1,474,203   | 687,863   | 687,863   |
| <b>Non-current</b>             |             |             |           |           |
| Not past due                   | 19,680,490  | 19,592,877  | -         | -         |
| Less: Allowance for impairment | (650,000)   | -           | -         | -         |
|                                | 19,030,490  | 19,592,877  | -         | -         |
| Beginning of financial year    | -           | -           | -         | -         |
| Allowance made                 | 650,000     | -           | -         | -         |
| Allowance utilised             | -           | -           | -         | -         |
| End of financial year          | 650,000     | -           | -         | -         |

The impairment on other receivables of the Group arose from:

- i) the non-trade receivables related to back charges on purchases of materials, tools, machineries and manpower paid by the Group on behalf of a sub-contractor. The contract with the sub-contractor had been terminated. The Group had carried out a review and determined that arising from the termination the contract, there was objective evidence that impairment existed. Subsequently, the Group had a suit filed against the sub-contractor to recover damages against it in respect of three projects during the financial year ended 31 December 2012. As a result of the conclusion of the suit, the allowance for impairment made was offset against the retention sum in the current financial year; and



## 31 FINANCIAL RISK MANAGEMENT (cont'd)

### (ii) Credit risk (cont'd)

#### (b) Financial assets that are past due and/or impaired (cont'd)

- ii) a loan to an associated company. The associated company co-develops a freehold property. Due to the decline in the Singapore Residential Property Price Index and low sale performance of the property, an impairment was made on the loan to the associated company during the current financial year ended 31 December 2015.

The impairment on other receivables of the Company arose from advances to subsidiary corporations who have losses in their operations and are inactive.

### (iii) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and cash equivalents and having an adequate amount of committed credit facilities to enable them to meet their normal operating commitments.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

|                               | Less than<br>1 year<br>\$ | Between<br>1 and 2<br>years<br>\$ | Between<br>2 and 5<br>years<br>\$ | Total<br>\$ |
|-------------------------------|---------------------------|-----------------------------------|-----------------------------------|-------------|
| <b>Group</b>                  |                           |                                   |                                   |             |
| <b>At 31 December 2015</b>    |                           |                                   |                                   |             |
| Trade and other payables      | 29,314,384                | –                                 | –                                 | 29,314,384  |
| Finance lease liabilities     | 1,012,353                 | 1,394,647                         | 345,393                           | 2,752,393   |
|                               | 30,326,737                | 1,394,647                         | 345,393                           | 32,066,777  |
| <b>At 31 December 2014</b>    |                           |                                   |                                   |             |
| Trade and other payables      | 31,308,910                | –                                 | –                                 | 31,308,910  |
| Finance lease liabilities     | 771,114                   | 1,286,629                         | 323,863                           | 2,381,606   |
|                               | 32,080,024                | 1,286,629                         | 323,863                           | 33,690,516  |
| <b>Company</b>                |                           |                                   |                                   |             |
| <b>At 31 December 2015</b>    |                           |                                   |                                   |             |
| Trade and other payables      | 6,867,168                 | –                                 | –                                 | 6,867,168   |
| Financial guarantee contracts | 1,012,353                 | 1,394,647                         | 345,393                           | 2,752,393   |
|                               | 7,879,521                 | 1,394,647                         | 345,393                           | 9,619,561   |
| <b>At 31 December 2014</b>    |                           |                                   |                                   |             |
| Trade and other payables      | 6,316,158                 | –                                 | –                                 | 6,316,158   |
| Financial guarantee contracts | 771,114                   | 1,286,629                         | 323,863                           | 2,381,606   |
|                               | 7,087,272                 | 1,286,629                         | 323,863                           | 8,697,764   |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 31 FINANCIAL RISK MANAGEMENT (cont'd)

### (iv) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group's and Company's strategies in monitoring their capital, which were unchanged since 2013, are to maintain gearing ratios within 25% to 30%.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

|               | Group       |            | Company    |            |
|---------------|-------------|------------|------------|------------|
|               | 2015        | 2014       | 2015       | 2014       |
|               | \$          | \$         | \$         | \$         |
| Net debt      | –           | –          | 3,584,045  | 2,643,736  |
| Total equity  | 104,686,789 | 98,304,809 | 43,829,045 | 40,628,322 |
| Total capital | 104,686,789 | 98,304,809 | 47,413,090 | 43,272,058 |
| Gearing ratio | –           | –          | 8%         | 6%         |

The Group and Company are not subject to externally imposed capital requirements for the financial years ended 31 December 2014 and 2015.

### (v) Fair value measurements

The following table presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

|                                      | Level 1 |
|--------------------------------------|---------|
|                                      | \$      |
| <b>Group</b>                         |         |
| <b>As at 31 December 2015</b>        |         |
| Financial assets, available-for-sale | 990,445 |
| <b>As at 31 December 2014</b>        |         |
| Financial assets, available-for-sale | 995,445 |

### 31 FINANCIAL RISK MANAGEMENT (cont'd)

#### (vi) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 12 to the financial statements, except for the following:

|   | Group       |            | Company    |            |
|---|-------------|------------|------------|------------|
|   | 2015        | 2014       | 2015       | 2014       |
|   | \$          | \$         | \$         | \$         |
| Loans and receivables                   | 102,675,226 | 96,227,613 | 27,736,045 | 23,660,645 |
| Financial liabilities at amortised cost | 31,901,562  | 32,405,027 | 6,867,168  | 6,316,158  |

### 32 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group's operating segments are its strategic business units which offer different services and are managed separately. The reportable segment presentation is based on the Group's management and internal reporting structure used for its strategic decision-making purposes. Currently, the business segments operate only in Singapore.

Other service included in Singapore is investment holding, which is not included within the reportable operating segments, as this is not included in the reports provided to the Board of Directors. The result of this operation, if any, is included in the "unallocated segments".

The Group's activities comprise the following reportable segments:

**Construction** – It relates to the construction of urban and arterial roads, expressways, vehicular bridges, flyovers and buildings, airports infrastructure, and oil and gas-related infrastructure for petrochemical plants and oil storage terminals.

**Maintenance** – It relates to re-construction work performed on roads, road reserves, pavements, footpaths and kerbs, guardrails, drains, signboards as well as bus bays and shelters.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 32 SEGMENT INFORMATION (cont'd)

|  | 31 December 2015   |                   |             | 31 December 2014   |                   |             |
|--|--------------------|-------------------|-------------|--------------------|-------------------|-------------|
|  | Construction<br>\$ | Maintenance<br>\$ | Total<br>\$ | Construction<br>\$ | Maintenance<br>\$ | Total<br>\$ |
| <b>Group</b>                                   |                    |                   |             |                    |                   |             |
| <b>Revenue</b>                                 |                    |                   |             |                    |                   |             |
| Total segment revenue                          | 77,571,894         | 30,593,567        | 108,165,461 | 71,112,754         | 44,397,255        | 115,510,009 |
| Inter-segment revenue                          | -                  | (4,875,639)       | (4,875,639) | -                  | (6,033,992)       | (6,033,992) |
| Revenue from external parties                  | 77,571,894         | 25,717,928        | 103,289,822 | 71,112,754         | 38,363,263        | 109,476,017 |
| Gross profit/(loss)                            | 6,560,161          | 7,208,000         | 13,768,161  | (3,667,540)        | 12,427,139        | 8,759,599   |
| Other income                                   |                    |                   | 2,799,656   |                    |                   | 1,572,531   |
| Unallocated costs                              |                    |                   | (9,027,774) |                    |                   | (8,170,229) |
| Share of profit of joint venture companies     |                    |                   | 47,900      |                    |                   | 315,385     |
| Share of profit/(loss) of associated companies |                    |                   | 79,648      |                    |                   | (224,322)   |
|  |                    |                   | 7,667,591   |                    |                   | 2,252,964   |
| Finance expense                                |                    |                   | (61,945)    |                    |                   | (53,675)    |
| Profit before income tax                       |                    |                   | 7,605,646   |                    |                   | 2,199,289   |
| Income tax (expense)/credit                    |                    |                   | (601,805)   |                    |                   | 339,529     |
| Net profit                                     |                    |                   | 7,003,841   |                    |                   | 2,538,818   |
| Depreciation                                   | 2,410,213          | 673,220           | 3,083,433   | 1,896,509          | 1,018,512         | 2,915,021   |
| Amortisation                                   | 70,595             | 3,114             | 73,709      | 68,253             | 2,257             | 70,510      |
| <b>Segment Assets</b>                          | 23,694,420         | 5,136,344         | 28,830,764  | 27,670,828         | 12,521,251        | 40,192,079  |
| <b>Segment assets included:</b>                |                    |                   |             |                    |                   |             |
| Additions to property, plant and equipment     | 2,064,589          | 814,252           | 2,878,841   | 1,535,279          | 824,531           | 2,359,810   |
| <b>Segment Liabilities</b>                     | 18,392,782         | 7,901,055         | 26,293,837  | 14,055,490         | 11,728,450        | 25,783,940  |

## 32 SEGMENT INFORMATION (cont'd)

Revenue between segments is carried out at market terms. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

The Board of Directors assesses the performance of the operating segments based on gross profit. Administrative and finance expenses, and other income are not allocated to segments.

### Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitors the intangible asset, construction contract work-in-progress, and trade receivables. All assets are allocated to reportable segments other than cash and cash equivalents, deposits, prepayments, other receivables, investment properties, financial assets, available-for-sale, and property, plant and equipment.

|  | 2015               | 2014               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Segment assets for reportable segments         | 28,830,764         | 40,192,079         |
| Unallocated:                                   |                    |                    |
| – Cash and cash equivalents                    | 54,688,659         | 34,009,361         |
| – Deposits, prepayments, and other receivables | 5,270,818          | 5,036,471          |
| – Loan to associated companies                 | 24,532,473         | 28,722,099         |
| – Investment properties                        | 5,250,000          | 5,140,000          |
| – Financial assets, available-for-sale         | 990,445            | 995,445            |
| – Property, plant and equipment                | 18,205,334         | 18,486,204         |
|  | <u>137,768,493</u> | <u>132,581,659</u> |

### Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than other payables, income tax liabilities, deferred income tax liabilities and finance lease liabilities.

|   | 2015              | 2014              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Segment liabilities for reportable segments | 26,293,837        | 25,783,940        |
| Unallocated:                                |                   |                   |
| – Other payables                            | 3,020,547         | 5,524,970         |
| – Income tax liabilities                    | 549,340           | 172,486           |
| – Deferred income tax liabilities           | 630,802           | 560,533           |
| – Finance lease liabilities                 | 2,587,178         | 2,234,921         |
|   | <u>33,081,704</u> | <u>34,276,850</u> |

Revenue of \$75,355,461 (2014: \$53,875,503) and \$25,717,928 (2014: \$38,363,263) is derived from a single external customer which is attributable to construction and maintenance segments respectively.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 33 COMMITMENTS

### (i) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

|                               | Group   |           |
|-------------------------------|---------|-----------|
|                               | 2015    | 2014      |
|                               | \$      | \$        |
| Property, plant and equipment | 160,000 | 1,562,050 |

### (ii) Operating lease commitments – where the Group is a lessee

The Group leases land from non-related party under non-cancellable operating lease agreement.

The future minimum lease payables under non-cancellable operating lease contracted for at the balance sheet date but not recognised as liabilities, are as follows:

|                            | Group     |           |
|----------------------------|-----------|-----------|
|                            | 2015      | 2014      |
|                            | \$        | \$        |
| Not later than one year    | 118,108   | 118,160   |
| Between one and five years | 590,540   | 590,799   |
| Later than five years      | 348,929   | 472,639   |
|                            | 1,057,577 | 1,181,598 |

### (iii) Operating lease commitments – where the Group is a lessor

The Group leases out a residential space to a non-related party under non-cancellable operating lease at a fixed rate. The lease has remaining non-cancellable lease terms of up to 2 years to 5 years.

The future minimum lease payments receivable under this operating lease contracted for at the balance sheet date but not recognised as receivables, are as follows:

|                            | Group   |         |
|----------------------------|---------|---------|
|                            | 2015    | 2014    |
|                            | \$      | \$      |
| Not later than one year    | 174,746 | 191,546 |
| Between one and five years | 332,712 | 507,458 |
|                            | 507,458 | 699,004 |

## 34 CONTINGENT LIABILITIES

### (i) Corporate guarantees

The Company has issued corporate guarantees to banks and financing institutions to secure the subsidiary corporations' finance leases (Note 16).

The directors estimated that the fair value of the corporate guarantees is not significant to the Company.

### (ii) Financial support

The Company provides financial support to certain subsidiary corporations to enable these subsidiary corporations to operate as going concern and to meet their liabilities as and when they fall due.

## 35 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards and amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 and which the group has not early adopted.

### Effective for annual periods beginning on or after 1 January 2016

- FRS 114 Regulatory Deferral Accounts
- Amendments to FRS 1 Disclosure Initiative
- Amendments to FRS 27 Equity Method in Separate Financial Statements
- Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants
- Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception
- Improvements to FRSs (November 2014)
  - Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations
  - Amendments to FRS 107 Financial Instruments: Disclosures
  - Amendment to FRS 19 Employee Benefits
  - Amendment to FRS 34 Interim Financial Reporting

### Effective for annual periods beginning on or after 1 January 2018

- FRS 115 Revenue from Contracts with Customers
- FRS 109 Financial Instruments

### Effective date: to be determined\*

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

\* The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore (ASC) in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

The management anticipates that the adoption of the above FRS and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

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# LETTER TO SHAREHOLDERS



(Company Registration No. 200201165G)  
(Incorporated in the Republic of Singapore)

## Board of Directors:

Mr Or Kim Peow (Group Chairman)  
Mr Or Toh Wat (Group Managing Director)  
Mdm Ang Beng Tin (Executive Director)  
Mr Or Kiam Meng (Executive Director)  
Mr Oh Enc Nam (Executive Director)  
Mr Or Lay Huat Daniel (Executive Director)  
Dr Chen Seow Phun, John (Lead Independent Director)  
Mr Nirumalan s/o V Kanapathi Pillai (Independent Director)  
Mr Tan Boen Eng (Independent Director)

## Registered Office:

30 Tagore Lane  
Singapore 787484

1 April 2016

To: The Shareholders of OKP Holdings Limited (“Shareholders”)

Dear Sir/Madam

## PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

We refer to the Notice of the Annual General Meeting (the “2016 AGM”) of OKP Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) dated 1 April 2016 in respect of the AGM to be held on Monday, 18 April 2016 at 10.30 am at 30 Tagore Lane Singapore 787484 and Resolution 10 set out under “Special Business” in the Notice of the said AGM.

### 1. INTRODUCTION

Shareholders had approved a mandate (the “Share Purchase Mandate”) at the extraordinary general meeting held on 20 April 2009 to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“Shares”). The Share Purchase Mandate had been subsequently renewed at the annual general meetings held in subsequent years, with the last renewal on 27 April 2015. The authority conferred on the directors of the Company (the “Directors”) under the current Share Purchase Mandate will expire at the forthcoming Fourteenth AGM (2016 AGM) to be held on 18 April 2016.

Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the Share Purchase Mandate. The purpose of this letter (“Letter”) is to provide Shareholders with information in relation to the renewal of the Share Purchase Mandate.

### 2. RATIONALE FOR THE SHARE PURCHASE MANDATE

The rationale for the Company to undertake the purchase or acquisition of its Shares is that the Share Purchase Mandate would give the Company the flexibility to undertake purchases of its Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. The Share Purchase Mandate will also allow the Directors to exercise greater control over the Company’s share capital structure, dividend payout and cash reserves, with a view to enhancing the net tangible assets and/or earnings per Share.

The purchase or acquisition of Shares will only be undertaken if the Directors believe that it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised. No purchase or acquisition of Shares will be made in circumstances, which would have or may have a material adverse effect on the liquidity of Shares or the financial condition of the Company and the Group.

### 3. AUTHORITY AND LIMITS OF THE SHARE PURCHASE MANDATE

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, if renewed at the 2016 AGM, are summarised below:

(a) Maximum Number of Shares

The Company may purchase only Shares, which are issued and fully paid-up. The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10% of the issued Shares (excluding any treasury shares held by the Company) as at the date of the 2016 AGM on which the resolution renewing the Share Purchase Mandate is passed (the “**Approval Date**”), unless the Company has thereafter, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, Chapter 50 (the “**Companies Act**”), in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares as altered (excluding any treasury shares held by the Company). “**Relevant Period**” means the period commencing from the date on which the Share Purchase Mandate is renewed and expiring on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier.

As at 7 March 2016 (the “**Latest Practicable Date**”), the Company had 308,430,594 issued Shares and no treasury shares, and thus up to 30,843,059 issued Shares may be purchased by the Company, assuming that the number of issued Shares (excluding treasury shares) of the Company remains unchanged up to the date of the 2016 AGM.

(b) Duration of Authority

Purchases of Shares may be made, at any time and from time to time, from the Approval Date up to the earliest of:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (ii) the date on which Share purchases have been carried out to the full extent of the Share Purchase Mandate; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by an ordinary resolution of Shareholders in general meeting.

(c) Manner of Purchase

Purchases of Shares may be made on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Market Purchases**”) and/or otherwise than on the SGX-ST, in accordance with an equal access scheme (“**Off-Market Purchases**”) as defined in Section 76C(6) of the Companies Act.

Market Purchases refer to purchases of Shares by the Company effected on the SGX-ST through one or more duly licensed stockbrokers appointed by the Company for the purpose.

## LETTER TO SHAREHOLDERS (cont'd)

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are not inconsistent with the Share Purchase Mandate and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

- (i) offers for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded:
  - (aa) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;
  - (bb) (if applicable) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and
  - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders, which must contain at least the following information:

- (i) the terms and conditions of the offer;
  - (ii) the period and procedures for acceptances;
  - (iii) the reasons for the proposed share purchase;
  - (iv) the consequences, if any, of share purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers (the “**Take-over Code**”) or other applicable take-over rules;
  - (v) whether the share purchase, if made, could affect the listing of the Shares on the SGX-ST;
  - (vi) details of any share purchases made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
  - (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.
- (d) Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commissions, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined below),



(the “**Maximum Price**”) in either case, excluding related expenses of the purchase.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five Market Days on which transactions in Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period;

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the Market Day on which there were trades in Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“**Market Day**” means a day on which the SGX-ST is open for trading in securities.

#### 4. STATUS OF PURCHASED SHARES

Any Share which is purchased by the Company is deemed cancelled immediately on purchase (and all rights and privileges attached to that Share will expire on cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. According to the key provisions on treasury shares under the Companies Act:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and other Rights

The Company shall not exercise any right in respect of the treasury shares and any purported exercise of such a right is void. In particular, the Company will not have the right to attend or vote at meetings and/or to receive any dividends or other distribution in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of the treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

## LETTER TO SHAREHOLDERS (cont'd)

(c) Disposal and Cancellation

The Company may dispose of treasury shares at any time in the following ways:

- (i) selling the treasury shares for cash;
- (ii) transferring the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (iii) transferring the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancelling the treasury shares; or
- (v) selling, transferring or otherwise using the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

### 5. SOURCE OF FUNDS

The Companies Act permits the Company to purchase its Shares out of capital or profits so long as the Company is solvent. For this purpose, the Company is solvent if at the date of the payment for the Shares, the following conditions are satisfied:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the purchase of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds, or a combination of internal resources and external borrowings, to finance purchases of its Shares.

### 6. FINANCIAL EFFECTS

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the proposed Share Purchase Mandate on the net tangible asset value and earnings per Share as the resultant effect would depend on factors such as the aggregate numbers of Shares purchased, the purchase prices paid at the relevant times, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition, how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act, and the amounts (if any) borrowed by the Company to fund the purchases.



(a) Purchase or Acquisition Out of Capital or Profits

Where the purchase of Shares is made out of distributable profits, such purchase (including costs incidental to the purchase) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the purchase of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Group and the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Group and the Company, and a decline in the current ratios and shareholders' funds of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

(b) Illustrative Financial Effects

For illustrative purposes only and on the basis of the following assumptions:

- (i) that the purchase or acquisition by the Company of 30,843,059 Shares, representing 10% of its issued Shares (excluding treasury shares) as at the Latest Practicable Date, was made on 31 December 2015;
- (ii) that the Company purchased or acquired Shares via Market Purchases at the Maximum Price of \$0.230 for each Share (being 105% of the Average Closing Price as at 31 December 2015) or via Off-Market Purchases at the Maximum Price of \$0.276 for each Share (being 120% of the Highest Last Dealt Price as at 31 December 2015);
- (iii) that the purchase or acquisition of Shares by the Company, which required funds amounting to \$7,093,904 for Market Purchases or \$8,512,684 for Off-Market Purchases was financed entirely using its internal sources of funds; and
- (iv) that the purchase or acquisition of Shares was made entirely out of capital and the Shares were held as treasury shares after the purchase or acquisition,

the financial effects of Share purchases by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015 ("FY2015"), are set out below.

# LETTER TO SHAREHOLDERS (cont'd)

## Scenario 1

Market Purchases of 30,843,059 Shares made entirely out of capital and held as treasury shares

|   | Group                 |                      | Company               |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | Before Share Purchase | After Share Purchase | Before Share Purchase | After Share Purchase |
| <b>As at 31 December 2015</b>                     |                       |                      |                       |                      |
| Share capital                                     | 36,832,301            | 36,832,301           | 36,832,301            | 36,832,301           |
| Other reserves                                    | 1,348,223             | 1,348,223            | –                     | –                    |
| Retained profits                                  | 66,506,265            | 66,506,265           | 6,996,744             | 6,996,744            |
|   | 104,686,789           | 104,686,789          | 43,829,045            | 43,829,045           |
| Treasury shares                                   | –                     | (7,093,904)          | –                     | (7,093,904)          |
| Shareholders' funds                               | 104,686,789           | 97,592,885           | 43,829,045            | 36,735,141           |
| Current assets                                    | 83,381,004            | 76,287,100           | 9,911,889             | 6,628,766            |
| Current liabilities                               | 30,813,665            | 30,813,665           | 6,932,613             | 6,932,613            |
| Cash and cash equivalents                         | 54,688,659            | 47,594,755           | 3,283,123             | –                    |
| Working capital                                   | 52,567,339            | 45,473,435           | 2,979,276             | (303,847)            |
| Total borrowings <sup>(1)</sup>                   | 2,587,178             | 2,587,178            | –                     | –                    |
| Net tangible assets <sup>(2)</sup>                | 102,915,929           | 95,822,025           | 43,808,436            | 36,714,532           |
| Net profit after tax attributable to shareholders | 7,004,744             | 7,004,744            | 3,817,584             | 3,817,584            |
| Number of Shares                                  | 308,430,594           | 277,587,535          | 308,430,594           | 277,587,535          |
| <b>Financial Ratios</b>                           |                       |                      |                       |                      |
| Net tangible assets per Share (cents)             | 33.37                 | 34.52                | 14.20                 | 13.23                |
| Earnings per Share <sup>(3)</sup> (cents)         | 2.27                  | 2.52                 | 1.24                  | 1.38                 |
| Gearing ratio <sup>(4)</sup> (times)              | 0.02                  | 0.03                 | –                     | –                    |
| Current ratio <sup>(5)</sup> (times)              | 2.71                  | 2.48                 | 1.43                  | 0.96                 |

### Notes:

- (1) Total borrowings relate to finance leases.
- (2) Net tangible assets equal total net assets less deferred expenditure and other intangible assets.
- (3) Earnings per Share is calculated based on net profit after tax attributable to shareholders divided by the number of issued and paid-up shares.
- (4) Gearing ratio equals total borrowings divided by shareholders' funds.
- (5) Current ratio equals current assets divided by current liabilities.

## Scenario 2

Off-Market Purchases of 30,843,059 Shares made entirely out of capital and held as treasury shares

|   | Group                 |                      | Company               |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | Before Share Purchase | After Share Purchase | Before Share Purchase | After Share Purchase |
| <b>As at 31 December 2015</b>                     |                       |                      |                       |                      |
| Share capital                                     | 36,832,301            | 36,832,301           | 36,832,301            | 36,832,301           |
| Other reserves                                    | 1,348,223             | 1,348,223            | –                     | –                    |
| Retained profits                                  | 66,506,265            | 66,506,265           | 6,996,744             | 6,996,744            |
|   | 104,686,789           | 104,686,789          | 43,829,045            | 43,829,045           |
| Treasury shares                                   | –                     | (8,512,684)          | –                     | (8,512,684)          |
| Shareholders' funds                               | 104,686,789           | 96,174,105           | 43,829,045            | 35,316,361           |
| Current assets                                    | 83,381,004            | 74,868,320           | 9,911,889             | 6,628,766            |
| Current liabilities                               | 30,813,665            | 30,813,665           | 6,932,613             | 6,932,613            |
| Cash and cash equivalents                         | 54,688,659            | 46,175,975           | 3,283,123             | –                    |
| Working capital                                   | 52,567,339            | 44,054,655           | 2,979,276             | (303,847)            |
| Total borrowings <sup>(1)</sup>                   | 2,587,178             | 2,587,178            | –                     | –                    |
| Net tangible assets <sup>(2)</sup>                | 102,915,929           | 94,403,245           | 43,808,436            | 35,295,752           |
| Net profit after tax attributable to shareholders | 7,004,744             | 7,004,744            | 3,817,584             | 3,817,584            |
| Number of Shares                                  | 308,430,594           | 277,587,535          | 308,430,594           | 277,587,535          |
| <b>Financial Ratios</b>                           |                       |                      |                       |                      |
| Net tangible assets per Share (cents)             | 33.37                 | 34.01                | 14.20                 | 12.72                |
| Earnings per Share <sup>(3)</sup> (cents)         | 2.27                  | 2.52                 | 1.24                  | 1.38                 |
| Gearing ratio <sup>(4)</sup> (times)              | 0.02                  | 0.03                 | –                     | –                    |
| Current ratio <sup>(5)</sup> (times)              | 2.71                  | 2.43                 | 1.43                  | 0.96                 |

### Notes:

- (1) Total borrowings relate to finance leases.
- (2) Net tangible assets equal total net assets less deferred expenditure and other intangible assets.
- (3) Earnings per Share is calculated based on net profit after tax attributable to shareholders divided by the number of issued and paid-up shares.
- (4) Gearing ratio equals total borrowings divided by shareholders' funds.
- (5) Current ratio equals current assets divided by current liabilities.

Shareholders should note that the financial effects set out in this Section 6 are purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical FY2015 numbers and is not necessarily representative of the Company's or the Group's future financial performance.

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# LETTER TO SHAREHOLDERS (cont'd)

## 7. LISTING RULES

Under the listing rules of the SGX-ST, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than 5% above the average of the closing market prices of the shares over the last five Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 3(d) above, conforms to this restriction.

The listing rules of the SGX-ST specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement must include details of the date of the purchases of the shares, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, and the cumulative number of shares purchased. Such announcement will be made in the form prescribed by the Listing Manual.

While the listing rules of the SGX-ST do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in observing the best practices recommended in the Listing Manual on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of two weeks immediately preceding the announcement of the Company’s quarterly results or one month immediately preceding the announcement of the Company’s full-year results, as the case may be, and ending on the date of announcement of the relevant results.

## 8. LISTING STATUS ON THE SGX-ST

The Company is required under Rule 723 of the SGX-ST Listing Manual to ensure that at least 10% of its issued Shares (excluding treasury shares) are in the hands of the public. The “public”, as defined in the Listing Manual, are persons other than the Directors, Chief Executive Officer (or, in the case of the Company, the Group Managing Director), substantial shareholders and controlling shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, there were approximately 90,676,184 issued Shares in the hands of the public (as defined above), representing 29.40% of the total number of issued Shares of the Company. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate and holds the purchased Shares as treasury shares, the number of issued Shares in the hands of the public would be reduced to 59,833,125 Shares, representing 21.54% of the total number of issued Shares (excluding treasury shares) of the Company. As at the Latest Practicable Date, the Company did not have any treasury shares.

In view of the foregoing, the Company is of the view that there is, at present, a sufficient number of Shares in public hands that would permit the Company to potentially undertake purchases of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without:

- (i) affecting adversely the listing status of the Shares on the SGX-ST;
- (ii) causing market illiquidity; or
- (iii) affecting adversely the orderly trading of Shares.



## 9. TAX IMPLICATIONS

### (a) Where the Company uses its Distributable Profits for Share Purchases

Under Section 10J of the Income Tax Act, Chapter 134 (the “**Income Tax Act**”), a company which purchases its own shares using its distributable profits is deemed to have paid a dividend to the shareholders from whom the shares are acquired.

As the Company is under the one-tier corporate tax system, the provisions under Section 44 of the Income Tax Act do not apply to the Company. That is, the Company does not need to provide for the franking of dividends for any Share purchase made.

The tax treatment of the receipt from a Share purchase in the hands of the Shareholders will depend on whether the disposal arises from a Market Purchase or an Off-Market Purchase. Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases will be treated for income tax purposes like any other disposal of shares made on SGX-ST and not as dividends. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature. Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase effected by way of an equal access scheme will be treated for income tax purposes as receipts of dividends.

### (b) Where the Company uses its Contributed Capital for the Share Purchase

Under Section 10J of the Income Tax Act, a company which purchases its own shares using its contributed capital is not deemed to have paid a dividend to its shareholders from whom the shares are acquired.

Proceeds received by Shareholders who sell their Shares to the Company for which the purchases were made out of contributed capital will be treated for income tax purposes like any other disposal of shares made on SGX-ST and not as dividends. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature.

**Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.**

## 10. IMPLICATIONS OF TAKE-OVER CODE

### (a) Obligation to Make a Take-over Offer

If as a result of any purchase or acquisition by the Company of its Shares, a Shareholder’s proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a change in control, or as a result of such increase a Shareholder or group of Shareholders acting in concert obtain or consolidate control, it may in certain circumstances give rise to an obligation on the part of such Shareholder or Shareholders to make a take-over offer under Rule 14 of the Take-over Code.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase of Shares by the Company are set out in Appendix 2 (“**TOC Appendix 2**”) of the Take-over Code.

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## LETTER TO SHAREHOLDERS (cont'd)

In relation to Directors and persons acting in concert with them, Rule 14 provides that unless exempted (or if exempted, such exemption is subsequently revoked), Directors and persons acting in concert with them will incur an obligation to make a take-over offer if, as a result of a purchase of Shares by the Company:

- (i) the percentage of voting rights held by such Directors and their concert parties in the Company increases to 30% or more; or
- (ii) if they together hold between 30% and 50% of the Company's voting rights, their voting rights increase by more than 1% in any period of six months.

Under TOC Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

(b) Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert: (i) a company with any of its directors; and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other. For this purpose, ownership or control of 20% or more of the equity share capital of a company will be regarded as the test of associated company status.

(c) Effect of Rule 14 and Appendix 2 of the Take-over Code

As at the Latest Practicable Date, Or Kim Peow Investments Pte. Ltd., the controlling Shareholder of the Company, together with persons acting concert with it, comprising Or Kim Peow, Or Toh Wat, Ang Beng Tin, Or Kiam Meng, Oh Enc Nam and Or Lay Huat Daniel, who are Directors of the Company, and their close relatives, collectively held 56.62% of the voting rights of the Company. They would not be obliged to make a take-over offer under Rule 14 of the Take-over Code as a result of any purchase of Shares by the Company under the Share Purchase Mandate.

**Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity.**

### 11. REPORTING REQUIREMENTS

Within 30 days of the passing of the Shareholders' resolution to renew the Share Purchase Mandate, the Directors shall lodge a copy of such resolution with the Registrar of Companies (the "**Registrar**").

The Directors shall lodge with the Registrar a notice of share purchase within 30 days of a share purchase. Such notification shall include the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase, the amount of consideration paid by the Company for the purchase, whether the Shares were purchased out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

## 12. NO SHARE PURCHASES IN THE PREVIOUS 12 MONTHS

No purchases of Shares have been made by the Company in the 12 months preceding the Latest Practicable Date.

## 13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial Shareholders in the share capital of the Company as at the Latest Practicable Date, as recorded in the Register of Director's Shareholdings and the Register of Substantial Shareholders kept by the Company, are as follows:

|   | Direct Interest  |       | Deemed Interest  |       |
|---|------------------|-------|------------------|-------|
|   | Number of Shares | %     | Number of Shares | %     |
| <b>Directors</b>  |                  |       |                  |       |
| Or Kim Peow <sup>(1)</sup>                                | 757,000          | 0.25  | 168,566,910      | 54.65 |
| Or Toh Wat  | 322,000          | 0.10  | –                | –     |
| Ang Beng Tin  | 323,500          | 0.10  | –                | –     |
| Or Kiam Meng  | 322,000          | 0.10  | –                | –     |
| Oh Enc Nam  | 133,000          | 0.04  | –                | –     |
| Or Lay Huat Daniel  | 322,000          | 0.10  | –                | –     |
| Chen Seow Phun, John <sup>(2)</sup>                       | –                | –     | 38,000           | 0.01  |
| <b>Substantial Shareholders (other than Directors)</b>    |                  |       |                  |       |
| Or Kim Peow Investments Pte. Ltd.                         | 168,566,910      | 54.65 | –                | –     |
| China Sonangol International (S) Pte. Ltd. <sup>(3)</sup> | 43,125,000       | 13.98 | –                | –     |

### Notes:

- (1) Mr Or Kim Peow is deemed to have an interest in the 168,566,910 shares held by Or Kim Peow Investments Pte. Ltd. by virtue of Section 7 of the Companies Act.
- (2) Dr Chen Seow Phun, John is deemed to have an interest in the 38,000 shares held by his wife, Mdm Lim Kok Huang, by virtue of Section 164(15) of the Companies Act.
- (3) China Sonangol International Limited, Fung Yuen Kwan Veronica, Lo Fong Hung, Newtech Holdings Limited, New Bright International Development Limited and Sonangol E.P. are each deemed to be interested in the shares held by China Sonangol International (S) Pte. Ltd. by virtue of Section 7 of the Companies Act.

## 14. DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale for the renewal of the Share Purchase Mandate set out in this Letter, the Directors believe that the renewal of the Share Purchase Mandate is in the best interest of the Company. The Board of Directors recommend that Shareholders vote in favour of Resolution 10, being the ordinary resolution relating to the renewal of the Share Purchase Mandate to be proposed at the forthcoming 2016 AGM.

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## LETTER TO SHAREHOLDERS (cont'd)

### 15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after having made all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

### 16. DISCLAIMER

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

### 17. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 30 Tagore Lane, Singapore 787484 during normal business hours from the date of this Letter up to the date of the 2016 AGM:

- (a) the Annual Report of the Company for the financial year ended 31 December 2015; and
- (b) the Constitution of the Company.

Yours faithfully

For and on behalf of the Board of Directors of  
**OKP HOLDINGS LIMITED**

Or Kim Peow  
Group Chairman

# STATISTICS OF SHAREHOLDINGS

AS AT 7 MARCH 2016

|                                  |   |                    |
|----------------------------------|---|--------------------|
| Issued and fully paid-up capital | : | \$36,832,301       |
| Number of Shares                 | : | 308,430,594        |
| Class of Shares                  | : | Ordinary shares    |
| Voting rights                    | : | One vote per share |

The Company does not hold any treasury share.

## DISTRIBUTION OF SHAREHOLDINGS

(As at 7 March 2016)

| Size of Shareholdings | No of Shareholders | %             | No of Shares       | %             |
|-----------------------|--------------------|---------------|--------------------|---------------|
| 1 – 99                | 335                | 10.72         | 3,346              | 0.00          |
| 100 – 1,000           | 90                 | 2.88          | 65,167             | 0.02          |
| 1,001 – 10,000        | 1,150              | 36.80         | 7,083,568          | 2.30          |
| 10,001 – 1,000,000    | 1,537              | 49.18         | 71,440,907         | 23.16         |
| 1,000,001 and above   | 13                 | 0.42          | 229,837,606        | 74.52         |
| <b>Total</b>          | <b>3,125</b>       | <b>100.00</b> | <b>308,430,594</b> | <b>100.00</b> |

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 7 March 2016)

|   | Direct Interest | %     | Deemed Interest | %     |
|---|-----------------|-------|-----------------|-------|
| Or Kim Peow Investments Pte. Ltd.                         | 168,566,910     | 54.65 | –               | –     |
| China Sonangol International (S) Pte. Ltd. <sup>(1)</sup> | 43,125,000      | 13.98 | –               | –     |
| Or Kim Peow <sup>(2)</sup>                                | 757,000         | 0.25  | 168,566,910     | 54.65 |

### Notes:

- (1) China Sonangol International Limited, Fung Yuen Kwan Veronica, Lo Fong Hung, Newtech Holdings Limited, New Bright International Development Limited and Sonangol E.P. are each deemed to be interested in the shares held by China Sonangol International (S) Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50.
- (2) Or Kim Peow is deemed to have an interest in the 168,566,910 shares held by Or Kim Peow Investments Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50.

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## STATISTICS OF SHAREHOLDINGS (cont'd)

AS AT 7 MARCH 2016

### TWENTY LARGEST SHAREHOLDERS (As at 7 March 2016)

| No | Name  | No of Shares       | %            |
|----|---|--------------------|--------------|
| 1  | Or Kim Peow Investments Pte. Ltd.               | 143,566,910        | 46.55        |
| 2  | China Sonangol International (S) Pte. Ltd.      | 43,125,000         | 13.98        |
| 3  | Bank of Singapore Nominees Pte. Ltd.            | 25,270,000         | 8.19         |
| 4  | DBS Nominees (Private) Limited                  | 3,016,868          | 0.98         |
| 5  | Raffles Nominees (Pte) Limited                  | 2,719,100          | 0.88         |
| 6  | OCBC Securities Private Limited                 | 2,190,850          | 0.71         |
| 7  | Oh Kim Poy                                      | 1,909,500          | 0.62         |
| 8  | United Overseas Bank Nominees (Private) Limited | 1,786,810          | 0.58         |
| 9  | Lim Bee Kim                                     | 1,661,500          | 0.54         |
| 10 | Park Soo Kyung                                  | 1,393,600          | 0.45         |
| 11 | OCBC Nominees Singapore Private Limited         | 1,110,518          | 0.36         |
| 12 | Or Lay Tin                                      | 1,062,550          | 0.34         |
| 13 | Nah Wee Kee (Lan WeiQi)                         | 1,024,400          | 0.33         |
| 14 | Maybank Kim Eng Securities Pte. Ltd.            | 999,900            | 0.32         |
| 15 | Chua Kim Tiong                                  | 757,500            | 0.25         |
| 16 | Or Kim Peow                                     | 757,000            | 0.25         |
| 17 | Chan Seck Sung                                  | 685,400            | 0.22         |
| 18 | Phillip Securities Pte Ltd                      | 659,051            | 0.21         |
| 19 | Soo Kam Soon                                    | 650,000            | 0.21         |
| 20 | Tan Yong Hoo                                    | 600,000            | 0.19         |
|    | <b>Total</b>                                    | <b>234,946,457</b> | <b>76.16</b> |

### RULE 723 OF THE SGX LISTING MANUAL – FREE FLOAT

Based on the information provided to the Company as at 7 March 2016, there were 90,676,184 shares held in the hands of the public (as defined in the SGX Listing Manual), representing 29.40% of the issued shares of the Company. Accordingly, Rule 723 of the SGX Listing Manual has been complied with.



# NOTICE OF ANNUAL GENERAL MEETING

## OKP HOLDINGS LIMITED

(Company Registration No. 200201165G)  
(Incorporated in the Republic of Singapore)

**NOTICE IS HEREBY GIVEN** that the Fourteenth Annual General Meeting (the “**AGM**”) of OKP HOLDINGS LIMITED (the “**Company**”) will be held at 30 Tagore Lane Singapore 787484 on Monday, 18 April 2016 at 10.30 a.m. for the following purposes:

### AS ORDINARY BUSINESS

#### Resolution 1

1. To receive and adopt the audited accounts for the financial year ended 31 December 2015 together with the Directors’ Statement and the Independent Auditor’s Report.

#### Resolution 2

2. To declare a final one-tier tax exempt dividend of \$0.007 per ordinary share and a special one-tier tax exempt dividend of \$0.003 per ordinary share for the financial year ended 31 December 2015 (FY2014: \$0.001).

#### Resolution 3

3. To re-elect Mr Oh Enc Nam who is retiring by rotation pursuant to Article 107 of the Company’s Articles of Association (the “**Articles**”) and who, being eligible, offers himself for re-election as a Director.

#### Resolution 4

4. To re-elect Mr Or Lay Huat Daniel who is retiring by rotation pursuant to Article 107 of the Articles and who, being eligible, offers himself for re-election as a Director.

#### Resolution 5

5. To re-elect Mr Or Kim Peow, whose appointment shall expire at the AGM and who, being eligible, offers himself for re-election as a Director. [see Explanatory Note (i)]

#### Resolution 6

6. To re-elect Mr Tan Boen Eng, whose appointment shall expire at the AGM and who, being eligible, offers himself for re-election as a Director. [see Explanatory Note (i)]

*Mr Tan Boen Eng will, upon being re-elected as a Director, remain as a member of the Audit Committee and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

#### Resolution 7

7. To approve the payment of Directors’ fees of \$180,000 for the financial year ended 31 December 2015 (FY2014: \$180,000).

#### Resolution 8

8. To re-appoint Nexia TS Public Accounting Corporation as the Company’s Independent Auditor and to authorise the Directors to fix their remuneration.
9. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

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# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## AS SPECIAL BUSINESS

### Resolution 9

10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

“Authority to allot and issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:

- (a) (i) allot and issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below) (“**Issued Shares**”), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the total number of Issued Shares;
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this authority is given, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities;
  - (ii) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this authority is given, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
  - (iii) any subsequent bonus issue, consolidation or sub-division of shares;
- (3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[see Explanatory Note (ii)]

#### Resolution 10

11. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“Share purchase mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the “**Companies Act**”), the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares (“**Shares**”) in the issued share capital of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (i) market purchases (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
  - (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access scheme as may be determined or formulated by the directors of the Company as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

- (b) the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
  - (ii) the date on which Share purchases have been carried out to the full extent of the Share Purchase Mandate; or
  - (iii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting;

- (c) in this Resolution:

“**Prescribed Limit**” means 10% of the total number of issued Shares (excluding any Shares which are held as treasury shares) of the Company as at the date of the passing of this Resolution, unless the Company has reduced its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares as altered (excluding any Shares which are held as treasury shares);

“**Relevant Period**” means the period commencing from the date of the passing of this Resolution and expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is the earlier; and

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## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

“**Maximum Price**” in relation to a Share to be purchased, means an amount (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase : 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase : 120% of the Highest Last Dealt Price,

where:

“**Average Closing Price**” is the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-market day period;

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“**Market Day**” means a day on which the SGX-ST is open for trading in securities; and

- (d) the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

[see Explanatory Note (iii)]

BY ORDER OF THE BOARD

VINCENT LIM BOCK HUI  
Company Secretary  
Singapore  
1 April 2016

**Explanatory Notes:**

- (i) Ordinary Resolution 5 and 6 are to re-elect Mr Or Kim Peow and Mr Tan Boen Eng, who are over 70 years old, as Directors. Their appointments at the last Annual General Meeting shall expire at the forthcoming AGM.
- (ii) Ordinary Resolution 9 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 20% for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time Ordinary Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities, (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time Ordinary Resolution 9 is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and (c) any subsequent bonus issue, consolidation or sub-division of shares. Such authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- (iii) Ordinary Resolution 10 will renew the mandate to permit the Company to purchase or otherwise acquire its issued ordinary shares on the terms and subject to the conditions of the Resolution. Further details are set out in the Letter to Shareholders which is enclosed with the Company's Annual Report, as an Appendix.

**Notes:**

- (i) Unless otherwise permitted under the Companies Act, Chapter 50 (the "**Companies Act**"), a member of the Company entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.
- (iii) A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.
- (iv) If the member is a corporation, the instrument appointing the proxy must be executed under its common seal or signed by its duly authorised officer or attorney.
- (v) The duly executed instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 30 Tagore Lane Singapore 787484, not less than 48 hours before the time appointed for holding the AGM.

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## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### **Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



**IMPORTANT**

- For investors who have used their CPF monies to buy shares in the capital of OKP Holdings Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees, and is sent for their information only.
- This Proxy Form is therefore not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them. Such CPF investors should contact their respective agent banks if they have any queries regarding their appointment as proxies.

**OKP HOLDINGS LIMITED**

(Company Registration No. 200201165G)

(Incorporated in the Republic of Singapore)

# ANNUAL GENERAL MEETING PROXY FORM

I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/Co. Registration Number)

of \_\_\_\_\_ (Address)

being a member/members of OKP HOLDINGS LIMITED (the "Company") hereby appoint:

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|------|---------|----------------------|---------------------------------|
|      |         |                      |                                 |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|------|---------|----------------------|---------------------------------|
|      |         |                      |                                 |

or failing the person or both of the persons above, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company to be held at 30 Tagore Lane Singapore 787484 on Monday, 18 April 2016 at 10.30 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

| No. | Resolutions relating to:  | For | Against |
|-----|---|-----|---------|
| 1.  | Audited accounts for financial year ended 31 December 2015                      |     |         |
| 2.  | Payment of final and special dividends  |     |         |
| 3.  | Re-election of Mr Oh Enc Nam as a Director                                      |     |         |
| 4.  | Re-election of Mr Or Lay Huat Daniel as a Director                              |     |         |
| 5.  | Re-election of Mr Or Kim Peow as a Director                                     |     |         |
| 6.  | Re-election of Mr Tan Boen Eng as a Director                                    |     |         |
| 7.  | Approval of Directors' fees of \$180,000  |     |         |
| 8.  | Re-appointment of Nexia TS Public Accounting Corporation as Independent Auditor |     |         |
| 9.  | Authority to allot and issue shares   |     |         |
| 10. | Share purchase mandate  |     |         |

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the resolution as set out in the Notice of AGM. Alternatively, if you wish to exercise your votes both for and against the resolution, please indicate the number of shares in the respective spaces provided.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

| Total number of Shares in: | No. of Shares |
|----------------------------|---------------|
| (a) CDP Register           |               |
| (b) Register of Members    |               |

\_\_\_\_\_  
Signature(s) of Member(s) or Common Seal**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. Unless otherwise permitted under the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), a member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form.
3. A member who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
5. This proxy form duly executed must be deposited at the registered office of the Company at 30 Tagore Lane Singapore 787484 not less than 48 hours before the time set for the AGM.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.
8. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
9. By submitting this proxy form, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 1 April 2016.

# NOTES

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## NOTES

**OKP HOLDINGS LIMITED**

UEN: 200201165G

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Singapore 787484  
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F: (65) 6459 4316

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